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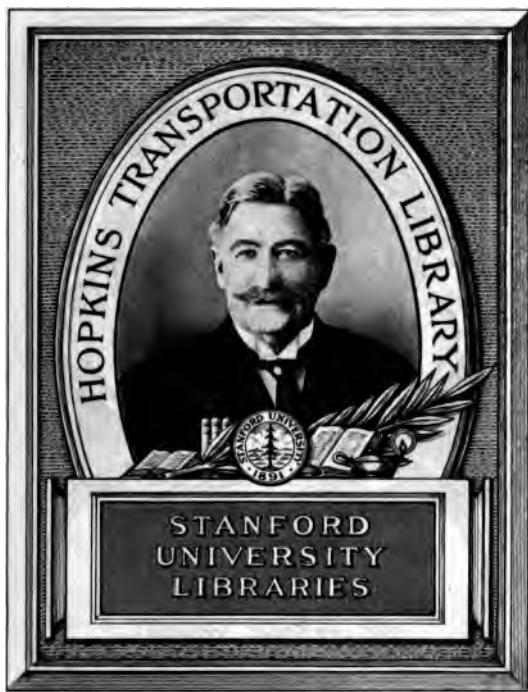
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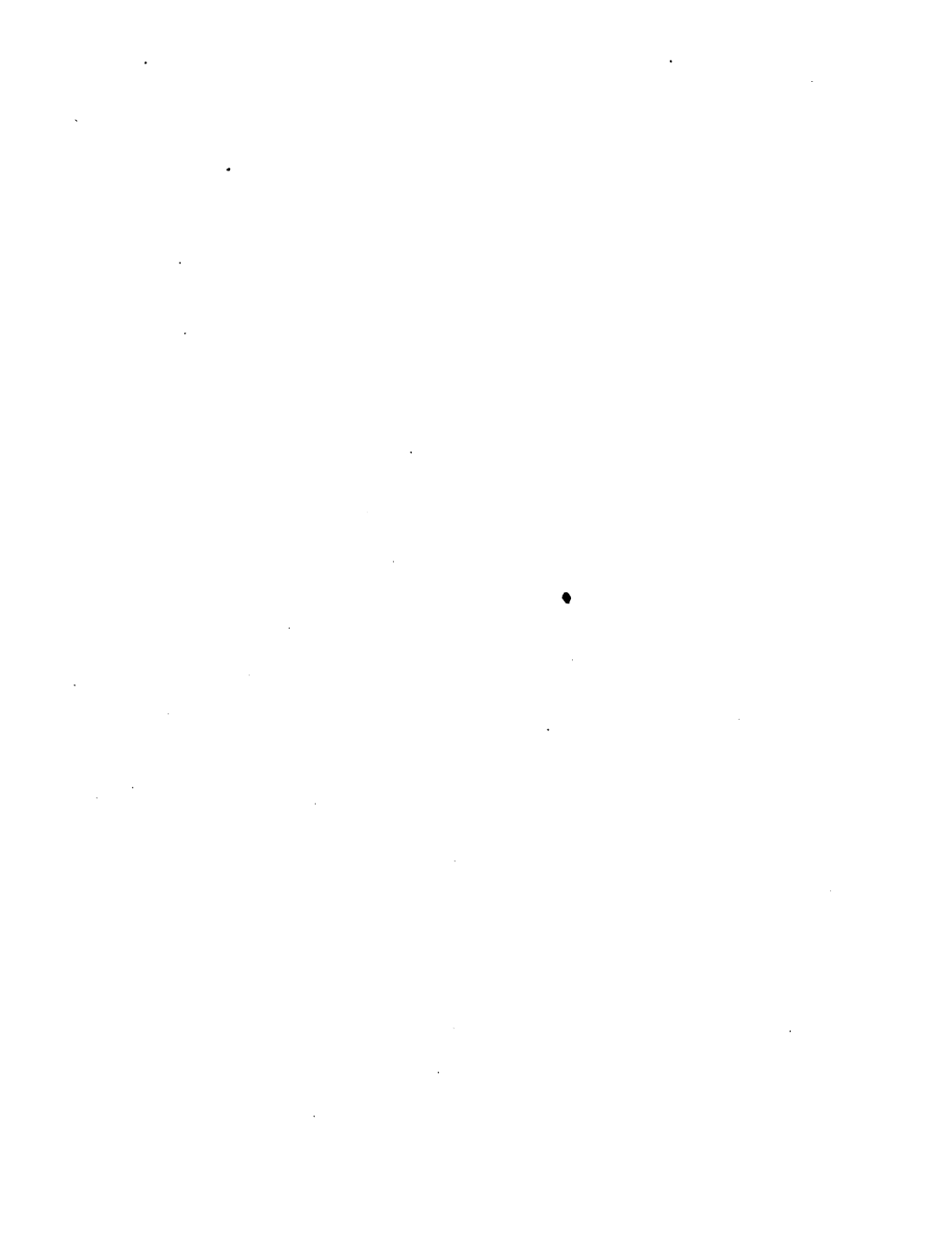


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# The Mother of Trusts

RAILROADS AND THEIR RELATION TO  
"THE MAN WITH THE PLOW."

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BY JESSE HARDESTY.

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## PREFACE.

The following pages were written for the purpose of placing before the people a few facts concerning the construction, cost and operation of railroads in the United States, and of suggesting a way of settling the railroad questions that have so long provoked public discussion, and occupied so much of the time of the State and Federal courts, at an expense to the producers of many millions of dollars a year.

This book is *entirely non-partisan* in every sense of the word. No man's political opinions are assailed. The persons attacked are "artificial persons," belonging to the corporation family. No political party is condemned, nor is the cause of any party advocated. While the writer believes that the necessary railroad legislation will come through either the Democratic or Republican party, he neither expresses nor advises any political preference. *Relief* is what the people must have, and they should support that party which is most willing and able to grant it.

The statistics herein furnished are such as will enable an impartial person to form a correct estimate of the cost of constructing the railroads, and assist him in arriving at a just conclusion as to their present value. The writer believes that these statistics will convince an unprejudiced reader that the railroads, instead of being, as is claimed by the corporations, of the aggregate value of nearly \$12,000,000,000, did not in fact cost more than \$5,185,735,203, and could at this time be duplicated or reproduced for less than

\$4,000,000,000, and that at the present time the face value of the over-issue of railroad stocks and bonds is more than \$7,000,000,000 in excess of the total value of all the railroads in the United States.

Figures furnished by the Interstate Commerce Commission are produced, showing that the producers pay nearly four times as much to support "general" and "other" railroad officers as is paid to all the general officers of the United States, States and Territories for their services to the people. Facts and figures concerning railroad taxation are produced, showing that the burden of paying such taxes is unequal and falls most heavily on the producers of the country.

Cases are cited and quotations are made, for the purpose of showing bias and prejudice in favor of the corporations and against the people, in the rulings and decisions of the Federal judges. It is shown that proper State control, without ownership of the railroads, is impossible, while 103 Federal judges, at the instigation of the corporations, usurp the power of declaring any and all State laws null and void, that are objectionable to the corporations.

It is shown that the Federal judges, for the purpose of enlarging their jurisdiction and of serving the corporations, have placed a false interpretation on the word "person" in the Section 1 of the Fourteenth Amendment to the Federal Constitution.

The organization, operation and control of the great iron and steel trust by the higher railroad officials is proved, and that the railroads are being used in the interest of the trust is shown by statements taken from the official organ of the trust.

*United States ownership, State control and State own-*

ership of the railroads are presented for the consideration of the reader.

The means of correcting the present evils of railroad management are discussed.

*Jesse Hardesty.*

**REMEMBER—**

That every figure in this book has been verified. Should anyone dispute the authenticity of the statistics given herein, investigation at the source to which they are accredited will, in all instances, show them to be genuine in every particular.

The writer has taken the liberty of italicizing and emphasizing certain lines and words in some of the quotations from the opinions of the courts and elsewhere.

# THE MOTHER OF TRUSTS.

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## CHAPTER I.

Cost of transportation greater than the cost of government.—Report of the Interstate Commerce Commission for the year 1898.—Gross violations of the law by the corporations.—Miles of railroad constructed in the United States from 1830 to 1898.—Miles of railroad in each State and Territory on June 30, 1898, and number of miles of road per 100 square miles and per 10,000 inhabitants.—Groups or territorial divisions.—Total number of miles of all tracks on June 30, 1898.—Alleged cost of construction of roads.—General balance-sheet for year ending June 30, 1898.

In speaking of the amount collected from the people of the United States by the railroads for the year ending June 30, 1890, the following statement is made on page 10 of Part I., "Transportation by Land," Eleventh Census of the United States, 1890:

A few facts in the summary of Table 5 are worth special notice. The aggregate earnings from operation are \$1,074,104,550.13, *which shows that the railroads received for the services which they rendered to the public a sum in excess of the amount collected in the form of taxes by the Federal Government, the State Governments, the municipalities, and the minor civil divisions. Thus the service of transportation costs the public more than the service of government.* It is something of a measure of the extent to which concentration of railroad control has proceeded in this country, to observe that \$77,792,343.38 is annually received by railroad corporations as rental upon lines leased, and \$52,439,057.72 is passed to the credit of railroad companies on account of the interest and dividends upon bonds and stocks (the great majority being bonds and stocks issued by railroads), which are the property of railroad corporations.

If the vast sums annually collected by the corporations from the people for transportation amount to no more than

a reasonable interest on the value of the railroads, the people have no just cause for complaint. If, on the other hand, the railroads are bonded and stocked for much more than twice the amount they originally cost or are worth at the present time, and on this over-capitalization the corporation officials are unjustly extorting vast sums of money for fares and freights, from the producers of the country, a speedy remedy should be applied, and the people relieved of the oppressive burden under which they are struggling.

For many years past, the question of "What are reasonable fares and freights?" has been under discussion, and while the organized corporations which are in law "artificial persons" have succeeded in despoiling the people, who are only natural persons, of much of their substance, they have not done so without considerable unorganized opposition; for, although there has never yet been a properly organized effort to oppose corporate methods, many individuals and firms, stung to resentment by what they considered acts of injustice on the part of the corporations, have resorted to legal proceedings against them, and have frequently been victorious in the State courts, only to see their judgments set aside in the Federal courts.

Some of the ablest and most influential newspapers of the country have, for a time, made a gallant fight in behalf of the people and against the corporations; but, for some no doubt sufficient reasons to their proprietors, they have suddenly abandoned the people's cause, and remained silent on the subject of transportation. Public speakers wanting an office have traveled about the country on railroad passes, denouncing the greed of the corporations, and, when elected, have modified their views on the transportation question. *Each* of the leading political parties has again and again

put forth a platform denouncing combines, trusts, monopolies and corporate injustice; promising, if intrusted with power, to give the people relief—and because of such promises have succeeded in carrying the election; but so far little benefit has accrued to “the man with the plow.”

In many of the States, laws have been enacted for the purpose of properly regulating and controlling the railroads within their borders, and the State courts have attempted to enforce such laws, but the Federal courts have usually come to the relief of the corporations in such cases and declared the obnoxious State law to be in violation of Section 1 of the Fourteenth Amendment of the Constitution of the United States, and thus each State and Territory has been prevented from exercising police power over the public highways within its jurisdiction.

Congress, for the purpose of checking the unjust exactions and discriminations of the corporations, enacted, with much opposition, the “Interstate Commerce Law,” providing for the appointment of the “Interstate Commerce Commission.” The commissioners were duly appointed, and they and their successors in office have attempted to enforce the law, but the powers of the commissioners have been so curtailed and hampered by the interpretation placed upon the Interstate Commerce Law by the Federal courts, that they long ago frankly admitted their inability to enforce the law and afford the relief contemplated by its framers. The following extracts from pages 6, 7 and 18 of the Twelfth Annual Report of the Commission explains the situation the Commission finds itself in:

Washington, D. C., January 9, 1899.

*To the Senate and House of Representatives:*

The Interstate Commerce Commission respectfully submits to the Congress its Twelfth Annual Report as follows. \* \* \* \* \*



In previous communications to the Congress, especially those of more recent date, attention has been called to the vital respects in which the act to regulate commerce has proved defective and inadequate. Some of its provisions were early seen to be imperfect, while others were so uncertain or ambiguous as to give rise to protracted litigation, resulting finally in authoritative construction by the Supreme Court of the United States. The Commission has taken much pains to explain the various questions that have thus been decided and the effect of these adjudications in defeating the purposes of the act. To state that the law in its present condition can not be enforced is only to repeat what has already been said. Until further and important legislation is enacted, the best efforts at regulation must be feeble and disappointing.

This subject was fully discussed in our last annual report, and we are unable to add anything to the presentation then made. In that and previous reports we have not only set forth in general terms the necessity for amending the law, but have formulated and proposed the specific amendments which appear to us positively essential. With the renewal of these recommendations no duty of the Commission in this regard remains undischarged.

Meanwhile the situation has become intolerable, both from the standpoint of the public and the carriers. Tariffs are disregarded, discriminations constantly occur, the price at which transportation can be obtained is fluctuating and uncertain. Railroad managers are distrustful of each other and shippers all the while in doubt as to the rates secured by their competitors. The volume of traffic is so unusual as to frequently exceed the capacity of equipment, yet the contest for tonnage seems never relaxed. ENORMOUS SUMS ARE SPENT IN PURCHASING BUSINESS AND SECRET RATES ACCORDED FAR BELOW THE STANDARD OF PUBLISHED CHARGES. THE GENERAL PUBLIC GETS LITTLE BENEFIT FROM THESE REDUCTIONS, FOR CONCESSIONS ARE MAINLY CONFINED TO THE HEAVIER SHIPPERS. All this augments the advantages of large capital and tends to the injury and often to the ruin of smaller dealers. These are not only matters of gravest consequences to the business welfare of the country, but they concern in no less degree the higher interests of public morality.

We are satisfied from investigations conducted during the past year and referred to in another portion of this report, as well as

from information which is perfectly convincing to a moral intent, that a large part of the business at the present time is transacted upon illegal rates. Indeed, so general has this rule become that in certain quarters the exaction of the published rate is the exception. From this two things naturally and frequently result. First, gross discriminations between individuals and gross preferences between localities; and these discriminations and preferences are almost always in favor of the strong and against the weak. THERE IS PROBABLY NO ONE THING TO-DAY WHICH DOES SO MUCH TO FORCE OUT THE SMALL OPERATOR, AND TO BUILD UP THOSE TRUSTS AND MONOPOLIES AGAINST WHICH LAW AND PUBLIC OPINION ALIKE BEAT IN VAIN, AS DISCRIMINATION IN FREIGHT RATES. Second, the business of railroad transportation is carried on to a very large extent in conceded violations of law. Men who in every other respect are reputable citizens are guilty of acts which, if the statute law of the land were enforced, would subject them to fine or imprisonment. This is true both of the traffic operator and the shipper. It is difficult to estimate the moral effect of such a condition of things upon a great section of the community, and almost impossible to believe that it can be allowed to continue without some attempt at reformation.

The report from which the above quotations are taken cannot be said to be in any sense partisan, for the reason that the members of the Commission are appointed from the different leading political parties. At the end of the year 1898 the Commission was composed of the following members: Hon. Martin A. Knapp, of New York, Chairman; Hon. Judson C. Clements, of Georgia; Hon. James D. Yeomans, of Iowa; Hon. Charles A. Prouty, of Vermont; Hon. William J. Calhoun, of Illinois; Secretary, Hon. Edward A. Moseley, of Massachusetts.

The question, "How should the railroads of the country be operated and controlled?" is the most vital political question now before the American people. On the correct answer to this question depends the future prosperity of

the producers of the country. It is a question that is of vastly more importance than any other political question now demanding a solution by the people, and one on which the people should as thoroughly as possible inform themselves. These pages are written for the purpose of putting before the people such statistics as will enable them to form correct opinions as to the original cost and the present value of the railroads, and of suggesting remedies for the existing evils in railroad management.

In Table No. 1 will be found a summary of the railroad mileage (main line) in the United States, from the year 1830 to 1898, by which it will be seen that during the 30 years following the year 1830 and ending with the year 1860, 30,603 miles of main line of road were constructed, making a total mileage of main line of 30,626 miles in the United States at the end of the year 1860. That during the 10 years following the year 1860 and ending with the year 1870, there was an increase of 22,296 miles of main line, making a total of 52,922 miles of main line at the end of the year 1870. That during the 10 years following the year 1870 and ending with the year 1880, 40,374 miles of main line were constructed, making a total of 93,296 miles of main line of railroad in the United States at the end of the year 1880. Up to the end of the year 1880, the mileage of second, third, fourth, yard and side tracks was 21,458 miles, or 23 per cent of the mileage of main lines (see page 294, Vol. 4, Tenth Census, 1880), making a total of 114,754 miles of all tracks at the end of the year 1880. That during the 10 years following the year 1880 and ending with the year 1890, 73,386 miles of main line were constructed, making a total of 166,691 miles of main line at the end of the year 1890. During the 10 years ending with the year 1890, 20,468 miles

of second, third, fourth, yard and side tracks were constructed, being 27.89+ per cent of the main line constructed during the 10 years, and making a total of 208,608 miles of all tracks at the end of the year 1890. During the 7½ years following the year 1890 and ending with June 30th in the year 1898, 19,714 miles of main line were constructed, making a total of 186,396 miles of main line at the end of June, 1898. From 1891 to June 30, 1898, 19,210 miles of second, third, fourth, yard and side track were constructed, making a total of 247,532 miles of all tracks.

TABLE No. 1.—Number of Miles of Railroads in Operation and the Increase of Mileage in the United States Each Calendar Year from 1831 to June 30, 1898.

[From the Statistical Abstract of the United States, 1898.]

Calendar Year.	Miles in Operation at the End of Each Year.	Increase Each Year.	Calendar Year.	Miles in Operation at the End of Each Year.	Increase Each Year.	Calendar Year.	Miles in Operation at the End of Each Year	Increase Each Year.
1831....	95	72	1854....	16,720	1,360	1877...	79,088	2,280
1832...	229	134	1855....	18,374	1,654	1878....	81,787	2,679
1833....	390	151	1856....	22,016	3,642	1879....	86,584	4,817
1834....	633	253	1857....	24,503	2,487	1880....	93,296	6,712
1835....	1,098	465	1858....	26,968	2,465	1881....	103,143	9,847
1836....	1,273	175	1859....	28,789	1,821	1882....	114,712	11,566
1837....	1,497	224	1860....	30,626	1,837	1883....	121,455	6,743
1838....	1,913	416	1861....	31,286	660	1884....	125,379	3,924
1839....	2,302	389	1862....	32,120	834	1885....	128,361	2,982
1840....	2,818	516	1863....	33,170	1,050	1886....	136,379	8,018
1841....	3,535	717	1864....	33,908	738	1887....	149,257	12,878
1842....	4,026	491	1865....	35,085	1,177	1888....	156,169	6,912
1843....	4,185	159	1866....	36,801	1,716	1889....	161,353	5,184
1844....	4,377	192	1867....	39,250	2,449	1890....	166,682	5,329
1845....	4,633	256	1868....	42,229	2,979	1891....	170,769	4,087
1846....	4,930	297	1869....	46,844	4,615	1892....	175,188	4,419
1847....	5,598	668	1870....	52,922	6,078	1893....	177,470	2,282
1848....	5,996	398	1871....	60,293	7,379	1894....	179,368	1,898
1849....	7,365	1,369	1872....	66,171	5,878	1895....	180,971	1,603
1850....	9,021	1,656	1873....	70,268	4,097	1896....	182,509	1,538
1851....	10,982	1,961	1874....	72,385	2,117	1897....	184,603	2,094
1852....	12,908	1,926	1875....	74,096	1,711	1898....	186,396	1,798
1853....	15,360	2,452	1876....	76,808	2,712			

In Table No. 2 will be found the number of miles of main line of railroad in each State and Territory on the

30th day of June, 1898; the increase in mileage during the year; the number of miles per 100 square miles of territory, and per 10,000 inhabitants.

By the term "official" is meant the mileage reported to the Interstate Commerce Commission by the authorized agents of the roads. By "unofficial mileage" is meant mileage of lines which for some reason have during the year failed to make a satisfactory report to the Commission. By this table it will be seen that in the following eleven States and Territories, to-wit, California, Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming, Arizona and New Mexico, which cover nearly all the rough and mountainous regions of the West, there were on June 30, 1898, but 24,882.83 miles of railroad. In these States and Territories there are many long stretches of almost level land over which the roads are constructed.

Table No. 2 shows that in the States situated east of the Rocky Mountains, on the great Western and Southern prairies and plains, there are more than 90,000 miles of railroad; and a careful examination of the table will show that about 130,000 miles of all the railroads in the United States are constructed in a comparatively level country, where the cost of grading the road-bed does not average to exceed \$2,000 per mile. There could be selected many thousands of miles of railroad on the Western plains and prairies, on which the average cost of grading the road-bed would not exceed \$1,200 per mile.

The above facts should be borne in mind when the cost of construction is considered.

TABLE NO. 2—Summary Railway Mileage in the United States, by States and Territories.

[From the Report of the Interstate Commerce Commission.]

State or Territory.	Mileage on June 30, 1898.					No. of Miles of Line per 100 Sq. Miles of Terr.*	No. of Miles of Line per 10,000 Inhabitants.†
	Official.	Unofficial.	Total.	Prop'n to Total Milg'e.	Incr'se over June 30, 1897.		
Alabama.....	3,888.65	31.25	3,919.90	2.10	73.49	7.60	22.55
Arkansas.....	2,820.63	40.95	2,861.58	1.53	114.35	5.59	21.87
California.....	5,412.32	55.59	5,467.91	2.94	193.43	3.51	39.05
Colorado.....	4,547.71	53.47	4,601.18	2.47	28.99	4.44	96.22
Connecticut.....	1,009.05	.....	1,009.05	.54	.....	20.83	11.66
Delaware.....	351.12	.....	351.12	.19	33.76	17.91	17.96
Florida.....	3,145.12	86.50	3,231.62	1.73	48.77	5.96	71.25
Georgia.....	5,390.87	95.00	5,485.87	2.94	82.44	9.30	25.75
Idaho.....	1,094.41	.....	1,094.41	.59	112.50	1.30	112.36
Illinois.....	10,849.07	2.60	10,851.67	5.82	76.09	19.38	24.47
Indiana.....	6,399.46	1.00	6,400.46	3.43	16.21	17.82	25.18
Iowa.....	8,511.73	6.40	8,518.13	4.57	7.28	15.35	38.44
Kansas.....	8,790.41	.....	8,790.41	4.71	13.97	10.76	53.14
Kentucky.....	3,093.41	12.00	3,105.41	1.67	64.86	7.76	14.41
Louisiana.....	2,434.45	67.00	2,501.45	1.34	103.94	5.51	19.29
Maine.....	1,776.21	.....	1,776.21	.95	34.53	5.94	23.19
Maryland.....	1,316.27	9.43	1,325.70	.71	115.55	13.45	10.97
Massachusetts.....	2,110.99	13.70	2,124.69	1.14	5.24	26.43	8.19
Michigan.....	7,953.73	21.05	7,974.78	4.28	32.61	13.89	32.86
Minnesota.....	6,216.96	.....	6,216.96	3.34	18.86	7.85	41.18
Mississippi.....	2,671.22	10.00	2,681.22	1.44	86.45	5.79	17.94
Missouri.....	6,753.66	8.90	6,762.56	3.63	113.26	9.84	21.77
Montana.....	2,915.46	.....	2,915.46	1.56	8.01	2.01	190.36
Nebraska.....	5,604.30	.....	5,604.30	3.01	15.25	7.29	45.64
Nevada.....	898.35	.....	898.35	.48	110.02	.82	170.27
New Hampshire.....	1,229.08	.....	1,229.08	.66	3.57	13.65	28.16
New Jersey.....	2,215.73	21.80	2,237.53	1.20	17.17	30.01	13.36
New York.....	8,292.32	7.50	8,299.82	4.46	155.87	17.43	11.94
North Carolina.....	3,590.51	19.00	3,609.51	1.94	75.03	7.43	19.24
North Dakota.....	2,584.42	.....	2,584.42	1.39	37.42	3.68	122.07
Ohio.....	8,717.76	18.38	8,736.14	4.69	6.89	21.43	20.52
Oregon.....	1,567.92	31.46	1,599.38	.86	69.79	1.69	43.97
Pennsylvania.....	9,833.05	76.46	9,909.51	5.32	158.61	22.03	16.25
Rhode Island.....	223.05	.....	223.05	.12	2.49	20.56	5.57
South Carolina.....	2,665.32	23.00	2,688.32	1.44	58.00	8.91	20.15
South Dakota.....	2,790.58	12.21	2,802.79	1.50	3.37	3.65	73.60
Tennessee.....	3,089.87	19.50	3,109.37	1.67	17.41	7.45	15.18
Texas.....	9,543.62	106.40	9,650.02	5.18	85.09	3.68	37.24
Utah.....	1,417.65	.....	1,417.65	.76	1.81	1.72	58.85
Vermont.....	992.81	.....	992.81	.53	4.25	10.87	25.76
Virginia.....	3,660.69	15.50	3,676.19	1.97	30.64	9.16	19.15
Washington.....	2,792.23	37.00	2,829.23	1.52	1.55	4.23	69.79
West Virginia.....	2,065.58	77.50	2,143.08	1.15	62.81	8.70	24.25
Wisconsin.....	6,374.27	24.00	6,398.27	3.43	166.33	11.75	32.72
Wyoming.....	1,179.97	.....	1,179.97	.63	.....	1.21	166.90
Alaska.....	.....	.....	.....	.....	.....	.....	.....
Arizona.....	1,324.50	15.00	1,339.50	.72	19.43	1.19	192.40
Dist. of Columbia.....	29.75	.....	29.75	.01	.....	49.58	1.11
Indian Territory.....	1,188.99	.....	1,188.99	.64	111.45	3.84	57.08
New Mexico.....	1,333.79	6.00	1,339.79	.83	52.76	1.26	86.70
Oklahoma.....	511.75	.....	511.75	.27	52.55	1.32	71.24
U. S., 1898.....	185,370.77	1,025.55	186,396.32	100.00	1,967.85	6.28	25.61

\*On basis of 2,970,000 square miles, which covers "land surface" only, and excludes Alaska.

†On basis of 72,801,571 population for 1898, which is reached by adding to the population of the United States in 1890, 62,801,571, an estimated annual increase of 1,250,000 for each successive year.

‡Decrease.

For the purpose of convenient reference and classification, the Interstate Commerce Commission has arranged the railroads in the United States into territorial divisions called "groups," which are numbered from one to ten; Group I. being in the extreme eastern portion, and Group X. lying in the extreme western portion of the United States.

The groups or territorial divisions referred to are as follows:

*Group I.*—This group embraces the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut.

*Group II.*—This group embraces the States of New York, Pennsylvania, New Jersey, Delaware and Maryland, exclusive of that portion of New York and Pennsylvania lying west of a line drawn from Buffalo to Pittsburg via Salamanca, and inclusive of that portion of West Virginia lying north of a line drawn from Parkersburg east to the boundary of Maryland.

*Group III.*—This group embraces the States of Ohio, Indiana, the southern peninsula of Michigan and that portion of the States of New York and Pennsylvania lying west of a line drawn from Buffalo to Pittsburg via Salamanca.

*Group IV.*—This group embraces the States of Virginia, North Carolina, South Carolina, and that portion of the State of West Virginia lying south of a line drawn east from Parkersburg to the boundary of Maryland.

*Group V.*—This group embraces the States of Kentucky, Tennessee, Mississippi, Alabama, Georgia, Florida and that portion of Louisiana east of the Mississippi River.

*Group VI.*—This group embraces the States of Illinois, Wisconsin, Iowa, Minnesota, the northern peninsula of the State of Michigan and that portion of the States of North Dakota, South Dakota and Michigan lying east of the Missouri River.

*Group VII.*—This group embraces the States of Montana, Wyoming, Nebraska, that portion of North Dakota and South Dakota lying west of the Missouri River and that portion of the State of Colorado lying north of a line drawn east and west through Denver.

*Group VIII.*—This group embraces the States of Kansas, Arkansas, that portion of the State of Missouri lying south of the Missouri River, that portion of the State of Colorado lying south of a line

drawn east and west through Denver, that portion of the State of Texas lying west of Oklahoma and the Territories of Oklahoma, Indian Territory and that portion of New Mexico lying northeast of Santa Fé.

*Group IX.*—This group embraces the State of Louisiana, exclusive of the portion lying east of the Mississippi River, the State of Texas, exclusive of that portion lying west of Oklahoma, and the portion of New Mexico lying southeast of Santa Fé.

*Group X.*—This group embraces the States of California, Nevada, Oregon, Idaho, Utah, Washington, the Territory of Arizona and that portion of the Territory of New Mexico lying southwest of Santa Fé.

Table No. 3 gives the total mileage of single or main track, second, third, fourth, yard track and sidings, by groups, and the total mileage of all tracks operated, which on June 30, 1898, was 247,532 miles. It will be seen that Group VI. has 42,412.94 miles of single or main track, which is nearly twice as much main track as is contained in any other group.

TABLE NO. 3.—Summary of Railway Mileage, by Groups, Showing Length of Single Track, Second Track, Third Track, Fourth Track, and of Yard Track and Sidings on June 30, 1898.  
[From the Report of the Interstate Commerce Commission.]

Territory Covered.	Single Track.	Second Track.	Third Track.	Fourth Track.	Yd. Track and Sidings.	Tot. Mil'ge Operated (All Tracks.)
	Miles.	Miles.	Miles.	Miles.	Miles.	Miles.
Group I.....	7,605.77	1,410.69	108.66	100.61	3,160.08	12,385.81
Group II.....	20,946.16	5,659.24	785.27	610.89	10,199.98	38,201.54
Group III.....	23,929.35	1,796.35	49.69	22.28	8,570.05	34,367.75
Group IV.....	11,087.85	144.27	.....	.....	1,983.28	13,215.40
Group V.....	20,337.77	83.85	.....	.....	3,636.32	24,058.54
Group VI.....	42,412.94	1,931.29	63.47	58.92	10,121.01	54,587.63
Group VII.....	10,502.24	20.96	.....	.....	1,651.87	12,175.07
Group VIII.....	22,988.27	126.53	2.56	.87	4,115.65	27,253.88
Group IX.....	10,772.84	30.02	.....	.....	1,797.20	12,600.06
Group X.....	14,065.07	90.05	.....	.....	2,353.02	16,508.14
Total reporting, 1898	184,648.26	11,293.25	1,009.65	793.57	47,589.09	245,333.82
Not reporting.....	1,748.06	.....	.....	.....	450.64	2,198.70
United States, 1898..	186,396.32	11,293.25	1,009.65	793.57	48,039.73	247,532.52



In Table No. 4 will be found a summary of the length of railway lines, the capital stock, the funded and floating debts and the pretended cost of construction per mile from the year 1873 to the year 1898. The reader will notice that there is a difference as to the number of miles of road given for the year in this table and the number of miles given for the same year in Table No. 1. Table No. 1 contains the number of miles in operation at the end of the year named, while Table No. 4 gives the number of miles of which the statistician was able to secure detailed statements of the matters contained in the table; and the same remark applies to any other table in which the mileage given for any year differs from the mileage given for the same year in Table No. 1.

TABLE NO. 4.—Length of Lines, Capital Stock, Funded Debt, Floating Debt, Total Liabilities, Total Cost of Construction per Mile from 1873 to June 30, 1898.

[From the Statistical Abstract of the United States.]

Year.	Length of Lines.	Cost of Construction.				Total Cost of Construction per Mile.
		Capital Stock.	Funded Debt.	Floating Debt.	Total Liabilities.	
	<i>Miles.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1873..	70,278	1,947,638,584	1,836,904,450	.....	*3,784,543,034	153,851
1874..	72,383	1,990,997,486	2,230,766,108	.....	*4,221,763,594	158,325
1875..	74,096	2,207,564,835	2,208,066,845	.....	*4,415,631,630	159,593
1876..	76,808	2,248,358,375	2,220,233,590	.....	*4,468,591,935	158,179
1877..	79,208	2,313,278,598	2,255,318,650	287,604,774	4,896,202,022	60,678
1878..	80,832	2,292,257,877	2,297,790,916	182,248,556	4,772,297,349	59,040
1879..	84,393	2,395,647,293	2,319,489,172	156,881,052	4,872,017,517	57,730
1880..	92,147	2,708,673,375	2,590,874,943	162,489,939	5,402,038,257	58,624
1881..	103,530	3,177,375,179	2,878,423,606	222,766,267	6,278,565,052	60,645
1882..	114,428	3,478,814,224	3,214,084,323	267,650,730	6,960,649,277	60,830
1883..	126,519	3,675,793,383	3,479,411,914	267,894,906	7,423,040,203	61,592
1884..	125,119	3,726,655,041	3,647,312,772	244,018,597	7,617,986,410	60,886
1885..	127,689	3,778,609,737	3,740,255,066	256,993,391	7,775,858,194	60,897
1886..	138,365	3,956,377,498	3,853,748,330	279,142,613	8,089,268,441	60,564
1887..	147,963	3,447,103,600	4,155,628,116	292,455,121	8,595,041,451	58,093
1888..	154,222	4,392,287,224	4,585,471,523	304,155,858	9,281,914,605	60,185
1889..	159,934	4,447,103,600	4,784,173,271	345,662,983	9,576,939,854	59,881
1890..	163,359	4,590,471,560	5,055,225,025	375,228,630	10,020,925,215	61,343
1891..	167,846	4,751,760,498	5,180,227,024	345,051,807	10,277,029,329	61,229
1892..	171,805	4,863,119,073	5,406,955,004	285,212,887	10,555,286,964	61,496
1893..	175,442	5,022,576,551	5,510,225,528	409,909,043	10,941,711,122	62,367
1894..	178,054	5,027,604,717	5,605,775,764	382,927,834	11,016,308,315	61,871
1895..	179,821	5,181,373,599	5,648,659,436	418,536,623	11,248,569,658	62,554
1896..	178,549	5,290,730,567	5,426,074,969	339,502,302	11,056,307,838	61,923
1897..	179,718	5,453,782,398	5,405,457,525	374,289,665	11,233,529,588	62,506
1898..	170,060	5,311,149,751	5,509,516,375	535,239,262	11,355,905,388	66,775

\*Total capital stock and funded debt.

†These figures show total stocks and bonds per mile.

# See Table No. 5.

Table No. 5 is the general balance-sheet of such railroads as chose to make a report to the Interstate Commerce Commission of what they call the value of their assets for the year ending June 30, 1898. The remarks concerning the balance-sheet, made by the Commission, show that the corporations make only such statements to the Commission concerning the railroads as happen to suit the purpose of the railroad officials. It will be seen by Table No. 5 that the total assets claimed by the 170,060.03 miles of main line making the statements contained in the balance-sheet amount to the sum of \$11,907,498,818, which is an average of \$70,019.38 for each mile of road represented in the table. The mileage covered by Table No. 5 is 16,336.29 less than the total mileage of main line on June 30, 1898, as shown in Table No. 3. By applying this average value of \$70,019.38 per mile, the pretended assets of the mileage represented in Table No. 5 to the 186,396.32 miles of main line, it appears that the total assets of all the railroads in the United States on June 30, 1898, was \$13,051,354,760, which sum it will be well to bear in mind when we come to consider the taxation of railroads in Chapter No. 7.

*General Balance-Sheet.*

In presenting the general balance-sheet of the roads for 1898, the Commission says as follows:

The general balance-sheet of the railways of the United States, being a consolidation of the balance-sheets of the carriers making report, is significant as representing the bookkeeping statement of railway property. This office has never been able to secure satisfactory balance-sheet statements from all the carriers making report, and for that reason a few of the carriers making report of operations are excluded from the balance-sheet statement.

The number of miles of line represented by the balance-sheet for the year ending June 30, 1898, is 170,060.03.

**TABLE NO. 5.—General Balance-Sheet for the Year Ending June 30, 1898.**

[Showing increase and decrease as compared with June 30, 1897, 170,060.03, miles of line represented.]

[From the Statistical Report of the Interstate Commerce Commission.]

Item.	Amount.	Increase.	Decrease.
<b>ASSETS.</b>			
Cost of road .....	\$9,234,234,052	\$179,006,318	
Cost of equipment.....	526,347,372	6,291,182	
Stocks owned.....	712,649,322	139,537,702	
Bonds owned.....	332,964,961		\$2,914,687
Cash and current assets.....	367,970,032	49,734,340	
Materials and supplies.....	67,431,264	4,155,919	
Sinking fund and sundries.....	*132,463,867	768,415	
Miscellaneous.....	533,437,948	26,692,690	
<b>Total.....</b>	<b>\$11,907,498,818</b>	<b>\$403,271,879</b>	
<b>LIABILITIES.</b>			
Capital stock.....	5,311,149,751	86,179,306	
Funded debt.....	5,509,516,375	292,334,253	
Current liabilities.....	535,239,262	5,700,602	
Accrued interest on funded debt not yet payable.....	30,351,092	3,308,855	
Miscellaneous.....	363,686,319	198,494	
Profit and loss.....	157,556,019	15,550,369	
<b>Total.....</b>	<b>\$11,907,498,818</b>	<b>\$403,271,879</b>	

\*Sinking fund, \$87,624,471; sundries, \$44,839,332.

## CHAPTER II.

Prices of pig iron, bar iron, iron and steel rails in the United States from 1852 to 1898.—Number of tons of rails used per mile of road according to weight per yard.—Average weight of rail used from 1830 to 1898.—Length of time steel rail will last.—Prices of locomotives from 1850 to 1897.—Bonds and stocks issued per mile of road from 1850 to 1898.—Increase of stocks and bonds, and decrease of cost of construction per mile of road.

Pig iron, bar iron and steel enter largely into the cost of construction and equipment of railroads. The millions of car wheels and other castings that are used in and about the construction of rolling stock, bridges and buildings annually require millions of tons of pig iron in their manufacture. A vast amount of bar iron is used each year in the construction of engines, cars, bridges and buildings. Millions of tons of steel are used every year in the construction of engines, cars, bridges, buildings, tools and tracks. In the construction and equipment of a railroad through a level country, where there is but little earth or rock required to be moved in grading the road-bed, the principal items of cost, other than labor, are ties, iron and steel used in the track, bridges, buildings and rolling stock. Tons, when applied to pig iron, bar iron and iron or steel rails, or structural iron or steel, are understood to be long tons of 2,240 pounds each. Since the first construction of railroads in the United States there has been a gradual and constant increase in the weight of the rolling stock and rails used. The weight of rails is designated by the number of pounds per lineal yard of rail. In 1860 the average weight of rail

used was about 45 pounds per yard, or 70 5-7 tons per mile; from 1861 to 1870 the average weight of rail used was about 50 pounds per yard, or 78 4-7 tons per mile; from 1871 to 1880 the average weight of rail used was about 55 pounds per yard, or 86 3-7 tons per mile; from 1881 to 1890 the average weight of rail used was about 60 pounds per yard, or 94 2-7 tons per mile; and from 1891 to 1898 the average weight of rail used was about 65 pounds, or 102 1-7 tons per mile. The above figures are averages of all the roads. Some of the narrow-gauge roads have 25-pound rails, while some of the Eastern trunk lines have 100-pound rails. There is at present a general tendency towards a further increase in the weight of rails and rolling stock, but it is thought by some of the best civil engineers in the country. that a properly shaped and constructed 80-pound steel rail is heavy enough for any rolling stock that can be used to advantage on the trunk lines. The average life of a steel rail, or the length of time it will last, is said to be about twenty-five years; on short curves they do not last that long, while on straight lines they will last thirty-five years.

Table No. 6 shows that pig iron, bar iron and iron rails reached their highest prices in 1864, during which year the average price of pig iron was \$59.25 per ton, the average price of bar iron was \$146.46 per ton, and the average price of iron rails was \$126.00 per ton. The table also shows that while the prices were at times fluctuating, there was on the whole a gradual decline in the prices of iron and steel from 1864 and 1867 down to the year 1899; that in 1898 the average price of pig iron was \$11.66 per ton and the average price of bar iron was \$29.31 per ton; that in 1882 (the last quotation given) the average price of iron rails was \$45.50 per ton; that in 1867 the average price of steel rails was \$166.00 per

**TABLE NO. 6.—Prices of Pig Iron, Rolled Bar Iron, Iron and Steel Rails, Steel Billets per Ton, and of Cut Nails per Keg of 100 Pounds, from 1852 to 1898.**

[From the Statistical Abstract of the United States.]

Calendar Year.	Pig Iron.				Bar Iron R'led			Rails.§		Nails.	
	No. 1 Foundry.*	Gray Forge.*	Gray Forge Lake Ore.†	Bessemer.†	B'st Re-fined.‡	B'st Re-fined.‡	Steel Billets.†	Iron Standard Sections.	Steel Standard Sections.		
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
1852	22.63				53.79			43.38		3.13	
1853	36.12				83.50			77.25		4.85	
1854	36.58				91.33			80.13		4.76	
1855	27.75				74.58			62.88		4.10	
1856	27.12				73.75			64.38		3.92	
1857	26.38				71.04			64.25		3.72	
1858	22.25				62.29			50.00		3.53	
1859	23.38				60.00			49.38		3.86	
1860	22.75				58.75			48.00		3.13	
1861	20.25				60.83			42.38		2.75	
1862	23.58				70.42			41.75		3.47	
1863	35.25				91.04			76.88		5.13	
1864	59.25				146.46			126.00		7.85	
1865	46.12				106.38			98.63	First made in commercial quantities in the United States in 1861.	7.08	
1866	46.88				98.13			86.75		6.97	
1867	44.12				87.08			83.13		166.00	5.92
1868	39.25				85.63			78.88		155.50	5.17
1869	40.63				81.66			77.25		132.25	4.87
1870	33.25				78.96			72.25		106.75	4.40
1871	35.12				78.54			70.38		102.50	4.52
1872	48.88				97.63			85.13		112.00	5.46
1873	42.75		35.80		86.43			76.67		120.50	4.90
1874	30.25		27.16		67.95			58.75		94.25	3.99
1875	25.50		23.67		60.85			47.75	62.75	3.42	
1876	22.25		21.74		52.08			41.25	59.25	2.98	
1877	18.88		20.60		45.55			35.25	45.50	2.57	
1878	17.63		18.09		44.24			33.75	42.25	2.31	
1879	21.50		22.15		51.85			41.25	48.25	2.69	
1880	28.50		27.98		60.38			49.25	67.50	3.68	
1881	25.12		22.94		58.05			47.13	61.13	3.09	
1882	25.75	22.60	23.84		61.41	54.51		45.50	48.50	3.47	
1883	22.38	19.33	19.04		50.30	44.24		41.25	37.75	3.06	
1884	19.88	17.71	17.17		44.05	38.45		37.25	30.75	2.39	
1885	18.00	15.58	15.27		40.32	36.59		35.25	28.50	2.83	
1886	13.71	16.40	16.58	18.96	43.12	38.08	31.75	34.50	34.50	2.27	
1887	20.92	17.70	19.02	21.37	49.37	43.59	32.55	37.08	37.08	2.30	
1888	18.88	16.21	15.99	17.38	44.99	39.67	28.78	29.83	29.83	2.03	
1889	17.75	15.48	15.37	18.00	43.40	38.30	29.45	29.25	29.25	2.00	
1890	18.40	15.82	15.78	18.85	45.92	41.25	30.32	31.75	31.75	2.00	
1891	17.52	14.52	14.06	15.95	42.56	38.38	25.32	29.92	29.92	1.86	
1892	15.75	13.54	12.81	14.37	41.81	36.79	23.63	30.00	30.00	1.83	
1893	14.52	12.73	11.77	12.87	38.08	33.53	20.44	28.12	28.12	*01.44	
1894	12.66	10.73	9.75	11.38	29.96	26.86	16.58	24.00	24.00	**01.08	
1895	13.10	11.49	10.94	12.72	32.29	28.09	18.48	24.33	24.33	**01.47	
1896	12.95	11.09	10.39	12.14	31.36	27.22	18.83	28.00	28.00	**02.32	
1897	12.10	10.48	9.03	10.13	29.40	24.73	15.08	18.75	18.75	**01.47	
1898	11.66	10.23	9.18	10.33	29.31	23.93	15.31	17.62	17.62	**L.31	

\*At Philadelphia. †At Pittsburgh. ‡From store at Philadelphia. §At mills in Pennsylvania. ¶Wholesale base prices at store, Philadelphia. †Superseded by the manufacture of steel rails. \*\*Prices based on a new classification adopted in 1893, the base price and schedule of extras being changed to correspond with the wire-nail schedule. In December, 1896, the schedule for cut nails was again changed.

ton; and that in 1898 the average price of steel rails was \$17.62 per ton, being a decrease of 80 + per cent in the price of pig iron, of 79 + per cent in the price of bar iron, of 63 + per cent in the price of iron rails, and of 89 + per cent in the price of steel rails.

Table No. 7, furnished by Burnham, Williams & Co., of the Baldwin Locomotive Works, and Mr. A. J. Pitkin, of the Schenectady Locomotive Works, gives the prices of the different types of locomotives at different periods of time, between 1849 and 1898, and shows that the average price of a locomotive (other than switching engine) was, in 1850, \$9,000; in 1860, \$9,525; in 1865, \$22,966; in 1870, \$12,418; in 1880, \$8,450; and in 1897, \$7,560—which was an increase in price of 155 + per cent from 1850 to 1865, and 141 + per cent from 1860 to 1865. From 1865 to 1870, the decrease in the price of locomotives was 45 + per cent; from 1865 to 1880, the decrease in the price of locomotives was 63 + per cent; and from 1865 to 1897, the decrease in the price of locomotives was 67 + per cent.

The list of prices furnished by Mr. A. J. Pitkin, of the Schenectady Locomotive Works, shows that the locomotives manufactured by that company were more than 58 per cent cheaper in 1897 than the same class of engines were in 1866. Mr. Pitkin's remarks are valuable because they show that the high prices of locomotives in 1866 were caused by the high prices of materials (principally iron and steel) which ruled in 1866, and that with the fall in the prices of the raw materials the price of the finished product declined. The average life of a locomotive is about sixteen years, and depends largely upon the purity of the water used in the boiler. The average life of a freight car is about the same, while well-built passenger cars last somewhat *longer*.

**TABLE No. 7.—Prices of Locomotive Engines during the Years 1850, 1860, 1865, 1866, 1867, 1868, 1869, 1870, 1879, 1880 and 1897.**  
 [Furnished by the Baldwin Locomotive Works.]

Year.	Weight, Tons.	No. of Wheels.	Service.	Cylinders.	Price.
1850....	4-Coupled	8	.....	11 x 20	\$ 7,500
1850....	8-Coupled	8	.....	18 x 23	10,500
1860....	4-Coupled	8	.....	12 x 22	8,250
1860....	8-Coupled	8	.....	19 x 22	10,400
1865....	20½	8	Passenger.	13 x 24	From \$15,635 to \$24,150
1865....	21¼	8	Passenger.	14 x 24	From 18,020 to 25,305
1865....	24½	8	Passenger.	15 x 24	From 17,380 to 24,910
1865....	27½	8	Passenger.	16 x 24	From 18,020 to 26,775
1865....	28	10	Freight.	18 x 24	From 24,823 to 34,850
1866....	20½	8	Passenger.	13 x 24	From 13,000 to 16,560
1866....	21¼	8	Passenger.	14 x 24	From 14,710 to 15,500
1866....	27½	8	Passenger.	16 x 24	From 16,275 to 19,610
1866....	28	10	Passenger.	18 x 24	From 15,983 to 23,320
1866....	34	Consol.	Freight.	20 x 24	From 19,950 to 23,000
1867....	20½	8	Passenger.	13 x 24	Approximately, 14,500
1867....	21¼	8	Passenger.	14 x 24	From \$12,600 to 16,250
1867....	27½	8	Passenger.	16 x 24	From 13,650 to 16,525
1867....	28	10	.....	18 x 24	From 15,225 to 16,538
1867....	34	Consol.	.....	20 x 24	Approximately, 18,000
1868....	20½	8	Passenger.	13 x 24	From \$10,000 to 11,000
1868....	21¼	8	Passenger.	14 x 24	From 10,500 to 12,600
1868....	27½	8	Passenger.	16 x 24	From 11,000 to 13,650
1868....	28	10	.....	18 x 24	From 12,750 to 15,525
1868....	34	Consol.	.....	20 x 24	From 14,500 to 15,500
1869....	20½	8	Passenger.	13 x 24	Approximately, 12,350
1869....	21¼	8	Passenger.	14 x 24	From \$11,000 to 13,000
1869....	27½	8	Passenger.	16 x 24	From 12,500 to 13,250
1869....	29	10	.....	18 x 24	From 13,750 to 15,500
1869....	34	Consol.	.....	20 x 24	From 15,500 to 16,250
1870....	20½	8	Passenger.	13 x 24	From 10,500 to 11,500
1870....	22½	8	Passenger.	14 x 24	From 11,250 to 12,500
1870....	27½	8	Passenger.	16 x 24	From 10,600 to 13,250
1870....	29½	10	.....	18 x 24	From 14,250 to 15,500
1879....	.....	8	.....	13 x 24	From 6,500 to 7,000
1880....	.....	8	.....	14 x 24	From 7,000 to 7,500
1880....	.....	8	.....	16 x 24	From 8,000 to 8,500
1880....	.....	10	.....	18 x 24	From 9,000 to 9,750
1880....	.....	Consol.	.....	20 x 24	From 10,000 to 11,250

Present prices (1897) of locomotives of same types, same sized cylinders, but with an increase of frame 10 per cent to 25 per cent in weight, are as follows:

1897....	.....	8	.....	13 x 24	\$6,250
1897....	.....	8	.....	14 x 24	6,500
1897....	.....	8	.....	16 x 24	7,100
1897....	.....	10	.....	18 x 24	8,450
1897....	.....	Consol.	.....	20 x 24	9,500
1897....	.....	4	Switching.	14 x 24	5,200
1897....	.....	6	Switching.	15 x 24	5,950

BURNHAM, WILLIAMS & Co.

COMPARISON OF PRICES ON SAME CLASS OF ENGINES IN 1866 AND IN 1897.  
 [Furnished by the Schenectady Locomotive Works.]

No. of Wheels.	Cylinders.	Price 1866.	Price 1897.
8	13 x 22	\$13,000	\$6,000
8	15 x 25	16,000	6,500
8	16 x 24	17,500	7,100
10	17 x 24	20,000	8,300

These cover the different classes of engines which we find we built during the year 1866. You of course appreciate that the cost of material was as high in proportion to the price charged for locomotives in 1866 as at the present time.

A. J. FITKIN, Vice-Pres. and Genl. Mgr.



The following list of prices of the cars therein named, in 1865 and 1870, was furnished by the Barney & Smith Car Company:

PRICES OF CARS DURING THE YEARS 1865 AND 1870.  
[Furnished by the Barney & Smith Car Company.]

	1865.	1870.
Passenger cars.....	\$ 5,000	\$ 5,500
Parlor cars.....	.....	12,000
Sleeping cars.....	10,500	9,000
Baggage and express cars.....	3,750	2,300
Box cars.....	1,250	860
Flat cars.....	1,000	650
Stock cars.....	1,200	850
Coal cars.....	900	650

A number of car companies, to whom application was made for present prices of the different kinds of cars used on the railroads in the United States, refused to give prices. An application by the writer to a Government official for the present prices of cars elicited the following answer:

Regarding your present request, I regret that I am unable to supply you with any but very meager information. At present the data you desire does not come within the scope of the statistics required by this office. It appears that much of it would be difficult, if not impossible, to obtain. From unofficial sources, the following items of the cost of cars have been obtained. I cannot vouch for their accuracy, however.

Sleeping-cars.....	\$6,000 to \$20,000
Ordinary passenger cars.....	4,000 to 5,000
Mail or baggage cars.....	1,500 to 2,000
Freight box-cars.....	500
Platform or gondola cars.....	350
Coal cars.....	180

The compensation of the laborer reached its highest point in the United States in the year 1873. In his report on "Wholesale Prices, Wages and Transportation in the United States," made on March 3, 1893, Senator Aldrich, of *the Senate Committee on Finance*, says:

If we average all quotations, giving to each equal weight in the result, we find that wages stood at 160.7 in 1891, as compared with 1860, while in 1840 they stood at 87.7, as compared with the same year (1860).

All industries, 1840.....	87.7	Railroads, 1840.....	89.5
All industries, 1860.....	100.	Railroads, 1860.....	100.
All industries, 1873.....	167.1	Railroads, 1873.....	165.3
All industries, 1891.....	160.7	Railroads, 1891.....	146.4

(Senate Report No. 1394, Finance Committee, 2d Session 52d Congress, 1893.)

Senate Report No. 1394 shows that the increase in wages paid by railroads was 84.69 per cent from 1840 to 1873; and that they decreased 11.43 per cent from 1873 to 1891.

Mulhall, the English statistician, in speaking of railroads in the United States, says:

In 1850 there were 9,020 miles of railroad completed and equipped, at an average cost of \$33,000 per mile; in 1860 there were 30,640 miles of road, at an average cost of \$39,000 per mile; and in 1871 there were 60,520 miles, at an average cost of \$46,500 per mile.\*

Mulhall's statistics are based upon the face value of the stocks and bonds issued per mile of road, and not upon the actual necessary cost of constructing and equipping the road.

Table No. 4, taken from the "Statistical Abstract of the United States," published under the direction of the Secretary of the Treasury, gives the cost of railroads in the United States in the year 1873 at \$53,851 per mile for the 70,278 miles of road then in operation. This estimate, it appears, is based on the total liabilities alleged to have been incurred in constructing and equipping the roads,

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\*(See Statistics by Mulhall, page 507,)

which liabilities, it is claimed, are represented by the capital stock and funded debt, as shown in Table No. 4.

The cost of the construction and equipment of a railroad depends entirely upon the amount of work required in grading the road-bed, bridging water-courses, erecting the necessary buildings, the cost of acquiring the right of way and lands for terminal and other purposes, the cost of rolling stock, the price of labor and materials, and the cost of engineering and superintendence. If the cost of each of the above items of expense increases year by year, the cost of constructing and equipping railroads would also necessarily increase in proportion thereto. If the cost of the different items of expense in constructing and equipping railroads decreases year by year, the average cost per mile for constructing and equipping railroads should also decrease in the same proportion—the truth of which proposition no honest, sane man will deny. Railroad officials have been quick to take advantage of rising prices of labor and materials, in fixing the average cost per mile of the roads. If in 1860 the average cost of all the railroads in the United States was \$39,000 per mile, and in 1871, after the period of high prices in railroad materials caused by the Civil War had passed, the average cost of all the roads was \$46,500 per mile, would it not be reasonable to suppose that if the cost of materials, labor and rolling stock continued to decline, the highest average cost per mile for construction and equipment of roads had passed, and that the average cost per mile for construction and equipment would thereafter also decline?

It has been seen by Senate Report No. 1394 that wages of laborers on railroads declined from 165.3 in 1873 to 146.4 in 1891, a reduction of 11  $\frac{1}{2}$  per cent.

Mulhall's statistics as to cost per mile for construction

of railroads are based upon the face value of stocks and bonds issued per mile of railroad; and the reader's attention is called to the fact that in 1871, when the average cost of construction was alleged to be \$46,500 per mile, the Union and Central Pacific roads had been completed and in operation for two years, the "Credit Mobilier" had finished its enterprising labors, and the "Contract and Finance Company" had divided its profits. The Union and Central Pacific roads constituted the only transcontinental line in operation in 1871, and there is no doubt but that the actual cost per mile was much greater in the construction of these two roads than in the construction of any of the other five lines that have since crossed the continent in United States territory. The construction of a railroad across a mountain range is unavoidably much more expensive than is the construction of a line in a valley, or across prairies or plains, but the construction of a road from tide-water to the summit of a mountain pass of an elevation of 11,000 feet does not necessarily cost two or three times as much per mile as does a road in a valley or across a plain. Steep grades have more effect on the cost of operation than of construction.

The actual necessary cost of a railroad is known only by those who were the officials of the road when it was constructed, and can be known by the public only after careful, accurate measurements and computations on every part of every mile of each road by honest, skillful civil engineers. There has been exposed so much fraud and corruption in connection with contracts for the construction of railroads, as in the cases of the Union Pacific and Central Pacific roads, that the books of the companies, if open to public inspection, would afford no reliable data as to the actual necessary cost of the roads. Stocks and bonds having a

face value of billions of dollars have been placed upon the market and sold for a small per cent of that face value by railroad officials, who now claim the right to earn dividends and interest thereon by the collection of exorbitant fares and freights from the public. Several billions of dollars have necessarily been expended in the construction and equipment of railroads in the United States, upon which the investors in railroad bonds representing this expenditure are entitled to a reasonable interest; but the oft-repeated allegation, that more than one-half of the alleged cost of railroads, as set forth in Table No. 4, is fictitious and fraudulent, and never at any time represented any item of actual cost, is true; and this truth is capable of actual positive proof. It cannot be disputed that the average cost per mile of railroads constructed before the year 1898 was greater than the cost of roads built during that year, nor that the average cost per mile increases as we go back towards the high prices of 1864.

### CHAPTER III.

Valuation of railroads.—Texas the only State that has put a proper valuation on the roads.—Report of the Texas Railroad Commission.—Railroads in Texas valued at cost of reproduction or duplication.—Average value per mile of all roads in Texas.—Valuation of the Galveston, Harrisburg & San Antonio Railroad, and length of bridges and trestles on the line.—Opinion of the scientific press on the Texas railroad law.

In order to arrive at a fair proximate average estimate of the cost of railroads at any time since 1830, it is necessary to ascertain the average cost per mile at the present time, and this has been done in a most thorough and accurate manner by the Railroad Commission of the State of Texas, pursuant to the requirements of a law enacted by the Legislature of that State in the year 1893. Texas appears to be the only State that, up to this time, has attempted to ascertain by "due process of law" the just valuation of the railroads within its jurisdiction. I here take the liberty of quoting at considerable length from the reports of the Railroad Commission of that State:

During the past year the work of valuing the property and franchises of the railroads of the State has been pushed with vigor. At the present writing our experts have completed 5,888.65 miles, of an estimated value of \$93,785,159.73, or an average rate per mile of \$15,926.23. This work has been conducted with much care and detail, and the valuations on file deal with each mile and every item of construction of each mile, as actually checked on the ground.

The prices adopted for the various classes of work have not been the lowest contract prices exhibited by current construction.

records, but such figures as would insure reasonable profits to constructors, and yet not repel the *bona fide* investor by fear of inadequate returns from the expenditures necessary.

The following table gives the totals of these valuations for the several roads completed, and elsewhere will be found itemized summaries of the values of each individual line, exhibiting the totals of the various classes of property, their rate per mile, and the percentage which each bears to the whole sum.

The basis of the valuation made by the Commission has been the present cost of reproducing the physical properties of the roads in question. It should be stated that the average value of the mileage will be reduced in the valuations of the coming year, for the reason that it is probable that during 1895 rails will at least remain at their present figures of about \$22 to \$23 per ton at eastern tide-water and Chicago.

(Third Annual Report Railroad Commission of Texas for the year 1894, pp. viii. and ix.)

In its annual report for the year 1895 the Texas Railroad Commission says:

The act of Legislature of the 8th of April, 1893, entitled "An act to define the franchises, to make public the value of railroads," etc., makes it the duty of this Commission, among other things, to "ascertain, and in writing report to the Secretary of State, the value of each railroad in this State, including all its franchises, appurtenances and property.

In obedience to the requirements of that act, we have ascertained the value of forty-seven of the railroads of the State, of which number, twenty-six have been valued since the making of our last annual report. The whole forty-seven roads represent in the aggregate a mileage of 8,859.87 miles and a total value of \$140,376,122.43, which gives an average per mile of \$15,844.04. The capitalized value of forty-two of the forty-seven roads above referred to in stock and bonds amounts to \$367,677,044, showing that these forty-two roads represent a valuation in stock and bonds of \$277,300,922 more than the value of the forty-seven roads as ascertained by the Commission; and it is proper to say that of the roads valued by this Commission, the valuation of no one of them has been contested by the railroad

companies. It is proper, also, for us to state that, as shown by the books of the office of the State Comptroller, the forty-seven railroads above referred to, except 498.8 miles of the International & Great Northern, which is exempt from taxation, and the El Paso Northern, 10.08 miles in length, which does not appear on the assessment rolls, were assessed for taxation at the aggregate value of \$68,560,730; being \$71,815,392 less than the value fixed on them by this Commission.

In addition to the valuation of existing lines, the general condition of the several properties, physical and otherwise, has been carefully examined. These roads of necessity exhibit a wide difference of excellence in the three points of location, construction, and maintenance. This fact is best expressed by reference to the character of the rail and grade.

In the case of the rail, there exist on the different lines all the gradations of weight and condition between a worn-out section of 30 pounds to the yard and a new one of 70 pounds.

In the matter of grades, the variation extends from a maximum of 0.6 to one of 2.50. The differences in bridging and ballast are scarcely less marked, and the items of buildings, equipment and terminals are further considerations which enter into the differing values exhibited in the tables of valuations. In the course of this inspection, much exceedingly good track has been noted, and some that compare well in surface, ballast and alignment with any in the country.

(Report of the Railroad Commission of Texas for 1895, pp. 30, 31 and 32.)

In its report for the year 1896 the Texas Commission says:

Fifty-one railroads, representing an aggregate mileage of 9,057.91 miles of main line and a total value of \$142,490,117.01, or an average value of \$15,731.01 per mile, have now been valued by the Commission. These roads are stocked and bonded in the aggregate sum of \$374,792,669, or \$41,377 per mile. These roads, as appears from the books of the Comptroller of Public Accounts, are assessed for taxation at \$69,530,407, or an average of \$7,677.32 per mile.

(Report of the Railroad Commission of Texas for 1896, p. 24.)



**TABLE No. 8.—Summary of the Valuations of the Railroads of Texas,  
Made by the Railroad Commission to November 30, 1896.  
[Exhibit No. 28—Report of the Railroad Commission of Texas, 1896.]**

Name of Railroad.	Mileage.	Aggregate Valuation.	Average Value per Mile.
Austin & Northwestern	105.96	\$ 1,753,694 22	\$16,550 53
Central Texas & Northwestern	12.36	212,110 50	17,161 04
Chicago, Rock Island & Texas	92.00	1,833,202 12	19,926 11
De Kalb & Red River	11.00	47,375 49	4,306 86
Denison & Washita Valley	6.39	245,320 22	38,391 28
El Paso Northern	10.08	75,038 59	7,444 30
Fort Worth & Denver City	454.13	5,771,582 42	12,709 09
Fort Worth & New Orleans	41.65	573,086 66	13,759 58
Fort Worth & Rio Grande	143.10	2,003,839 32	14,003 07
Galveston, Harrisburg & San Antonio	919.06	16,142,297 45	17,563 92
Galveston, Houston & Henderson	48.85	1,527,023 07	31,259 42
Gulf, Beaumont & Kansas City	57.62	567,495 95	9,849 94
Gulf, Colorado & Santa Fé	957.74	16,405,718 48	17,129 61
Gulf, Western Texas & Pacific	109.67	1,318,081 80	12,018 62
Hearne & Brazos Valley	16.42	106,623 75	6,493 53
Houston & Texas Central	452.60	9,588,903 28	21,186 26
Houston, East & West Texas	190.69	2,042,692 36	10,712 11
International & Great Northern	771.16	13,942,568 62	18,080 00
Louisiana Western Extension	6.81	109,551 18	16,086 81
Missouri, Kansas & Texas of Texas	837.91	13,437,440 80	16,036 85
New York, Texas & Mexican	91.52	1,033,459 16	12,053 12
Panhandle	14.54	100,077 83	6,882 93
Paris & Great Northern	16.18	288,718 32	17,844 15
Pecos River	54.13	392,404 65	7,249 30
Rio Grande	22.17	310,551 00	14,007 71
Rio Grande & Eagle Pass	26.89	234,695 11	8,727 96
Rio Grande & El Paso	20.15	481,824 33	23,911 88
Rio Grande Northern	26.25	401,036 04	15,277 56
Sabine & East Texas	102.03	896,565 73	8,787 27
St. Louis Southwestern of Texas	551.78	8,862,293 18	16,061 28
San Antonio & Aransas Pass	687.67	8,677,698 37	12,618 98
Sherman, Shreveport & Southern	153.04	1,608,046 80	10,724 12
Southern Kansas of Texas	100.41	1,090,593 75	10,861 41
Sugar Land	14.12	109,415 22	7,748 95
Texarkana & Ft. Smith (north of Texarkana)	9.96	198,793 28	19,878 18
Texas & New Orleans	105.45	3,619,685 89	34,326 18
Texas & Pacific	1,039.33	17,730,639 31	17,059 73
Texas & Sabine Valley	2.00	17,045 43	8,522 72
Texas Central	175.95	2,348,666 47	13,348 49
Texas, Louisiana & Eastern	29.60	234,027 23	7,906 33
Texas-Mexican, Corpus Christi to Laredo	160.65	1,174,403 90	7,310 32
Laredo to Rio Grande river, formerly Mexican National	1.00	276,510 00	276,510 00
Texas-Mexican Northern	.75	6,724 42	8,965 87
Texas Midland, Terrell to Ennis only	74.89	940,910 07	12,563 89
Texas, Sabine Valley & Northwestern	36.41	381,802 97	10,486 21
Texas Transportation	7.90	154,951 16	19,614 07
Texas Trunk	50.58	472,602 50	9,343 66
Tyler Southeastern	88.60	914,748 98	10,324 48
Velasco Terminal	20.00	227,527 13	11,376 35
Waco & Northwestern	54.40	714,728 40	13,138 39
Weatherford, Mineral Wells & N. W	23.00	327,495 84	14,238 95
Wichita Valley	51.36	486,768 26	9,477 57
<b>Totals</b>	<b>9,057.91</b>	<b>\$142,490,117.01</b>	<b>\$15,731 01</b>

In Table No. 8 (Exhibit No. 26 of the Report of the Railroad Commission of Texas for 1896) it appears that the average value per mile in some instances is much greater on roads of one of a few miles in length than on roads having a greater mileage; as, for instance, in the case of the Texas-Mexican (formerly the Mexican National) Railway. This is because there is but one mile of that road on the American side of the Rio Grande, and on that one mile are located the machine shops, machinery, tools, round-house and a large amount of materials and supplies for that part of the road that is operated on the Mexican side of the river. Similar reasons account for the high valuation per mile on some of the other roads that have short terminal lines in Texas.

In order that the reader may fully understand the manner in which the Railroad Commission of Texas arrived at the actual value of the several railroads in that State, a statement in detail of the valuation of the Galveston, Harrisburg & San Antonio Railroad is given in Table No. 9, which is copied from the report of the Commission for the year 1894, pp. 80 and 81. As will be seen in this statement, the road has a total mileage of 919.06 miles, 836.41 miles of which constitute the main or trunk line, the other 82.65 miles being branch lines.

The Railroad Commission of Texas has fixed the aggregate value of these 919.06 miles of road at \$16,142,297.45, which is an average value of \$17,563.92 per mile. This is one of the best constructed roads in the country, and no expense has been spared in making it a first-class road in every respect.

TABLE NO. 9.—Galveston, Harrisburg &amp; San Antonio Railway.

[From the Report of the Railroad Commission of Texas for 1894.]

Houston to Rio Grande River west of El Paso.....	836.41 miles.
Stella to Harrisburg.....	7.70 miles.
Smith Junction to La Grange.....	28.35 miles.
Harwood to Gonzales.....	12.25 miles.
Spofford to Eagle Pass.....	34.35 miles.
Total.....	919.06 miles.

Items.	Value.	Total.	Value per Mile.	Per Cent.
Right of way, depot grounds and other real estate occupied for railroad purposes.....	\$ 542,931 00			
Right of way, city streets (estimated at value of adjacent property).....	55,450 00	\$ 598,381 00	\$ 651 08	3.7
<b>GRADUATION:</b>				
Clearing and grubbing.....	54,512 25			
Earth excavation.....	254,997 64			
Gravel excavation.....	32,470 06			
Loose rock excavation.....	123,658 50			
Solid rock excavation.....	513,054 00			
Hauled embankment.....	74,777 07			
Earth embankment.....	779,621 54			
Gravel embankment.....	24,526 96			
Loose rock embankment.....	55,507 94			
Riprap and revetment.....	12,465 20			
Grading yards (exclusive of tracks).....	17,660 00	1,943,251 16	2,114 39	12.0
<b>BRIDGING:</b>				
Coffer dams, grillage, and pile foundations.....	69,801 62			
Concrete masonry (foundations and piers).....	48,899 80			
Brick masonry (foundations and piers).....	25,512 10			
Bridge masonry (foundations and piers).....	240,451 48			
Steel trestles (columns) except the Pecos viaduct.....	10,039 50			
Culvert masonry.....	58,579 40			
Slope walls.....	2,985 50			
Iron and steel truss spans.....	617,853 25			
Plate girders.....	69,062 40			
Steel "I" beams.....	15,925 22			
Combination trusses.....	42,410 00			
Wooden trusses.....	23,840 00			
Earthenware and iron pipe drains.....	10,852 28			
Wooden box drains.....	18,046 89			
Trestle bridges and piling.....	764,127 52	2,019,386 96	2,197 23	12.5
Pecos viaduct complete.....	270,871 86	270,871 86		
<b>TRACK (main line):</b>				
Ties.....	1,248,394 00			
Steel rails.....	2,269,137 43			
Iron rails.....	16,342 40			
Joints.....	222,737 30			
Spikes.....	137,859 00			
Laying and surfacing.....	459,530 00	4,754,060 18	5,172 73	29.5
<b>SIDINGS:</b>				
Track.....	625,075 55			
Switch furniture.....	56,637 00	681,712 55	741 75	4.2

TABLE No. 9, Continued.—Galveston, Harrisburg & San Antonio Railway.

Items.	Value.	Total.	Value per Mile.	Per Cent.
<b>BALLAST:</b>				
Gravel.....	\$ 694,761 00			
Natural (rock, earth, etc.).....	292,536 65	\$ 987,297 65	\$ 1,074 25	6.1
<b>BUILDINGS, exclusive of round-houses and machine shops:</b>				
Depots, platforms, and sundry buildings.....	173,649 00			
Section-houses.....	120,070 00			
Water stations (way only).....	144,539 90			
Stock-pens.....	20,562 50			
Coal-chutes and bins (way only).....	5,154 00			
Turntables (way only).....	4,370 00			
Track scales.....	2,500 00	470,845 40	512 31	2.9
<b>MISCELLANEOUS STRUCTURES:</b>				
Fencing.....	240,239 50			
Cattle-guards.....	24,757 00			
Telegraph (418 miles of wire only).....	10,450 00			
Overhead crossings.....	1,665 00			
Road crossings.....	7,371 10			
Signs.....	6,827 00			
Mail cranes.....	256 00	291,565 60	317 24	1.8
Round-houses and machine shops (buildings only).....	201,271 20	201,270 20	219 00	1.3
Machinery, tools and supplies.....	392,592 37	392,592 37	427 17	2.4
Furniture, fixtures and stationery.....	25,000 00	25,000 00	27 20	0.15
<b>ROLLING STOCK:</b>				
Locomotives.....	816,397 50			
Cars of all kinds.....	1,085,907 00	1,902,284 50	2,069 81	11.8
Legal and engineering expenses, superintendence and present charter fees.....	879,156 72	879,156 72	956 58	5.45
Interest allowable during construction.....	724,630 35	724,630 35	788 45	4.5
<b>Total.....</b>	<b>\$16,142,297 45</b>	<b>\$16,142,297 45</b>	<b>\$17,563 92</b>	<b>100.0</b>

The following is a statement of the number and length of the bridges and trestles on this road, including the great Pecos viaduct:

Items.	Number.	Aggregate Length.	Minimum Length.	Maximum Length.
Iron bridges.....	174	20,454 ft.	10 ft.	2,180 ft.
Wooden bridges.....	5	1,101 ft.	60 ft.	399 ft.
Combination bridges.....	8	1,016 ft.	88 ft.	250 ft.
Total bridges.....	187	22,571 ft.		
Trestles.....	2,377	123,194 ft.	8 ft.	1,050 ft.

The idea that the Railroad Commission of Texas acted in a hasty and arbitrary manner, and without giving the railroad companies a chance to be heard on the question of

valuation, may arise in the mind of the reader. The answer to that suggestion is that, after making its report of value, the Commission is required by the law under which it acts to give, within ten days after the valuation is finished, notice in writing to the railroad company whose property has been valued, that its report is ready to be made, and that if the company has any objections thereto, it must file them in writing within forty days after said service, or the report will be filed with the Secretary of State as correct. The Commission states that, in making each valuation, the technical requirements of the law were strictly observed, and that in no case was the valuation, as fixed by the Commission, contested by the railroad company. The Galveston, Harrisburg & San Antonio and the Texas & New Orleans roads form the trunk line of the great Southern Pacific road through the State of Texas. The length of that part of the Texas & New Orleans road that is in the State of Texas, extending from Houston to the crossing of the Sabine River, is 105.45 miles. The total value of this 105.45 miles of road, as fixed by the Railroad Commission, is \$3,619,695.89, being an average value of \$34,326.18 per mile. The reason why the average value per mile is so great on this short road, when compared with that of the Galveston, Harrisburg & San Antonio road, is that the terminal facilities of both roads at Houston, and nearly all the rolling stock, supplies and machine shops for both roads, are assigned to and valued with this 105.45 miles of the line. As will be seen in Table No. 9, the total valuation of both roads as fixed by the Commission is \$19,761,993.34, which gives to the total mileage of both roads, 1,024.51, an average value of \$19,761.21 per mile. The number and length of the bridges and trestles on this 105.45 miles of the Texas & New Orleans road is as follows:

Items.	Number.	Aggregate Length.	Minimum Length.	Maximum Length.
Iron bridges.....	6	2,883 ft.	85½ ft.	1,800 ft.
Wooden bridges.....	4	516 ft.	80 ft.	155½ ft.
Total bridges.....	10	3,399 ft.		
Trestles.....	567	51,521 ft.	7 ft.	3,892 ft.

The total cost of all the bridges, trestles, culverts, drains and viaducts, including the great Pecos viaduct, on the 1,024.51 miles of road belonging to these two companies in the State of Texas, is \$2,550,968.60, an average of \$2,489.84 per mile; and this probably represents the extreme cost per mile for bridges, trestles, culverts and drains on any line of the same length in the United States.


The Galveston, Harrisburg & San Antonio road has issued stock to the amount of \$27,084,400 and bonds in the sum of \$26,435,840, making a total liability of \$53,520,240, which is \$37,377,942.55 more than its actual value as found by the Railroad Commission, the amount of bonds alone being \$10,293,542.55 more than the value of the road. The Texas & New Orleans road has issued capital stock to the amount of \$5,000,000 and bonds to the amount of \$6,216,936.91, making a total liability of \$11,216,936.91, which is \$7,597,241.02 more than the actual value of the road as fixed by the Commission—the amount of bonds alone being \$2,596,241.02 more than the value of the road.

In order to arrive at the true value of the roads, the Railroad Commission of Texas employed an expert civil engineer, who by years of experience in the construction of railroads has acquired a technical knowledge and skill in railroad construction possessed by few men in his profession. In securing the data required by the Commission, this engineer and his assistants traveled on foot every mile of railroad in the State of Texas, and made actual measurements.

of every excavation and embankment, of every bridge and building, and the present cost of duplication was computed on the ground; and no doubt every road in Texas could to-day be duplicated for less than the amount at which it was valued by the Commission.

The measurements and other data thus furnished by the expert engineer employed by the Commission will be of great value to the State of Texas in the future contests that will arise between the State and the corporations, for the reason that such evidence will be indispensable on the part of the State in proving the value of the roads.

We have seen in Table No. 9 that the Railroad Commission of Texas had, on the 30th day of November, 1896, placed a valuation of \$15,731.01 per mile on 9,057.91 miles of road in that State; and, as the Commission appears to have acted carefully and fairly in the matter, there seems to be no reason to doubt that they have fixed a just and full value on the roads in their State. Texas is a very large and comparatively sparsely settled State when compared with some of the Northern and Eastern States, and for that reason the Texas roads would not require so many depots, nor so much rolling stock, nor such large machine shops, nor so much yard track per mile as would the roads in some of the other States; nor would the cost for the right of way and for lands and buildings for terminal purposes be so great in Texas as in some of the more densely populated States. None of the railroads in Texas cross any high mountain ranges, and it is therefore certain that the average value per mile of the railroads in Texas does not represent the average per mile of all the other roads in the United States. It appears from the report of the Texas Commission that the weight of the rails on the roads in that State runs from 30 to 70 pounds per yard, while it is well known



that some of the Northern and Eastern trunk lines have rails running as high as 100 pounds per yard.

The following extracts show the opinion entertained of the Texas railroad law by two of the leading scientific journals of the world, devoted to civil engineering and the construction of railroads, etc. The first extract is from the *Engineering News and American Railway Journal* for April 23, 1896. This journal is in high standing throughout the United States and in Europe.

As a matter of fact, after a careful examination of the last report of the Texas Railway Commission, we are constrained to believe that this bad name is undeserved. If the attitude of the State towards the railways is correctly set forth in the Commission's report, we are free to say that the position is economically and politically correct, and that other States and State Railway Commissions can profitably study the work that has been done in Texas.

It may be said at the outset, that the Texas Commission has attempted a task which has never been attempted before anywhere, and that is to base railway rates upon the cost of service. The position of the Commission is that the railways are entitled to charge rates high enough to return a fair rate of interest on the actual value of their property, and no higher. By value is meant not the par value of outstanding stocks and bonds, nor the amount of money which has been actually spent and charged to capital account; but it is what the entire plant of the railway company could be duplicated for at the present time.

That this principle is a sound and safe one, and equitable to both the railways and the public, all careful students of the railway problem will generally agree. That the Texas Commission is willing to adhere to it, and carry it out impartially, the following extract from its report bears witness:

"While it is the duty of this Commission, as far as it has the authority to do so, by its rates and rulings, to protect the public against discrimination in rates and service between shippers, and against excessive freight charges, it is equally its duty to establish and maintain such rates as will secure to the railway corporations



a proper return of interest on the capital invested, if the condition of the roads with reference to population and business will enable it to do so. And it would not hesitate, if it should be shown to be necessary, to increase rates for this purpose. This Commission has often stated to the freight agents and traffic managers, in its meetings with them, that if the railway companies engaged in interstate shipment would make and maintain rates which would be fairly compensatory to them on such shipments, this Commission would do all in its power, by its rates, to secure them reasonable revenue on their railway investments in this State. And we now repeat that statement. But this suggestion contemplates good faith on both sides in the making and maintenance of rates."

That the principles above stated have been carried out in practice, as far as the Commission is concerned, appears to be shown by the figures in the report; and it is stated that, notwithstanding the important reductions in freight rates (some of which were made by request of the railway companies), the returns show an increase in revenue. Rates are not always lowered by the Commission, but in some cases are as high as—or higher than—those which were in force before the railways were subject to regulation. This has been on account of the necessity of preserving rates which have long been in force on account of competition or other local conditions. These cases are quite limited in number. There has been steady increase in both gross and net earnings per mile in Texas, as compared with the equally steady increase for the whole United States.

\* \* \* \* \*

Under the Texas law, no bonds can be issued on any railway line for a greater amount than the actual value as determined by the Commission. Anyone familiar with the water that has been injected into the capitalization of almost every railway corporation in the country at some time in its history, through bond issues, will confess that Texas is attempting to remedy a very real and serious evil; every one will watch with interest to see what measure of success is attained in the work that she has undertaken.

The following extract is from *Engineering*, a London journal of high repute on all that relates to the construction of railroads and other public works. The opinion of this journal is of importance, as many Englishmen invest in *American securities*,

In Texas a Railroad Commission, with unusual powers, has been organized, through the legislative exertion of ex-Governor J. S. Hogg, and the annual report before us is interesting. Their ruling as to rates has been affirmed by the Supreme Court; but the chief point in this connection is their function in reference to the promotion of lines and the issue of bonds. Railway companies have a happy way of meeting liabilities by the issue of the bonds in excess of the worth of their property, and one duty of the Commission is to value the property and franchises, and thus determine the maximum amount of bonds that may be issued. The estimate is based on the cost of construction plus a reasonable profit to contractors. Thus 6,000 miles or so have already been valued, and the average worth is £3,185 per mile, beyond which the property cannot be bonded. With this restriction there is a greater chance of profit to the share- or bond-holders. Again, the Commission has power over new railways. The route proposed is considered in the light of probable traffic, and is laid out also to involve the least difficulties. It is suggested that otherwise the interested promoter and constructor would map out the most difficult route, so that his profit on construction might be the greater. Bonds for new lines in Texas can only be authorized on the basis of the cost of constructing the road of a certain grade, with a certain kind of material, and of a certain standard of excellence to insure the minimum expense of working. The new legislation has been opposed on the plea that the effect is to discourage the construction of railways and the investment of capital in this class of security. But, as matter of fact, the legislation, which has been in force four years, tends to encourage investment, as it insures the carrying forward of lines which have a prospect of traffic, and at a fair cost for construction, discouraging speculative lines such as we have incidentally referred to. Moreover, it insures very reasonable rates of freight. It is the guarantee which is given by this legislation that is necessary to reassure the investing public in all the State railways.

## CHAPTER IV.

Average cost per mile of all railroads constructed in the United States from 1830 to June 30, 1898.—Table No. 10, average cost per mile of all railroads constructed from 1830 to 1860, inclusive.—Table No. 11, average cost per mile of all railroads constructed from 1861 to 1870, inclusive.—Table No. 12, average cost per mile of all railroads constructed during the ten years ending with the year 1880.—Table No. 13, average cost per mile of all railroads constructed during the ten years ending with the year 1890.—Table No. 14, average cost per mile of all railroads constructed from 1891 to June 30, 1898, inclusive.—Table No. 15, average value per mile of all railroads in the United States on June 30, 1898.—Land grants to railroads, 197,144,612 acres, which is more than one-tenth of the total area of the United States.

The only way in which the exact value of the railroads of the country could be ascertained would be by making survey and measurement in the manner adopted by the Texas Commission, but in the absence of such data made on the ground, a fair approximate average can be made of the original cost, as well as of the present value of the roads. After much investigation of reliable statistics of prices past and present, and correspondence and conversation with some of the most eminent and reliable civil engineers and railroad contractors in the United States, the writer has prepared the following tables, showing the average cost and present value of all the railroads in the United States, exclusive of the elevated lines.

Many of the railroads were, when first constructed, narrow-gauge roads, and were afterwards widened to the

standard gauge of 4 feet 8½ inches. In 1880 there were still 5,592.94 miles of railroad in the United States the gauge of which varied from 2 feet to 3½ feet in width. (See page 294, Vol. 4, Transportation Census of 1880). The cost of constructing and equipping a standard-gauge road is more than one-third greater per mile than is the cost of constructing and equipping a narrow-gauge road. In the following tables, treating of the cost and present value of the railroads of the country, all the calculations are based on the cost and value of standard-gauge roads, and when referring to the main line, the word "construction" will include equipment.

The present standard or "T" rail did not come into general use until about 1850, and even after that time some of the roads used the old flat rail with the snake-head fastenings; but as nearly all the roads adopted the present form of rail by the end of 1851, in approximating the cost of the roads, all of them will be treated as if they had originally been laid with the present standard rail.

Tables Nos. 10, 11, 12, 13 and 14 give the cost per mile of all the railroads in the United States from 1830 to 1898, and Table No. 15 gives the present value of all the roads, exclusive of elevated lines. The following explanation as to items of cost applies to each of the tables; the reader, if doubtful as to cost, can compare the same with the like items in Table No. 9.

*Engineering, Superintendence, Interest and Law Expenses*

Cover the expense of surveying and locating the road, superintendence by engineers and other officers of the company during construction, interest on the cost of the road before ready for operation, and the law expenses of the company in acquiring the right of way and other lands necessary for railroad purposes.

*Land Damages for Right of Way*

Cover the average cost per acre paid for lands used for right of way. The width given, 100 feet, is wider than many of the roads have acquired, some of the roads having a right of way only 50 feet wide in many places, while some of the lines have Government grants for right of way, 200 feet wide. Land occupied as right of way on the public domain was not charged for by the Government in any case, even though no other land grant was made. Where the companies purchased the right of way in and near cities and the larger towns, the land so purchased probably cost more per acre than the amount given as an average, but no doubt the average given in the tables is high enough. In the State of Texas in 1895 the value of all land used for right of way, depot, terminal and all other railroad purposes had been valued by the Texas Railroad Commission at an average of \$1,054.59 per mile.

*Grubbing and Clearing*

Cover the cost of preparing the right of way for the graders. Parts of many of the roads were located through cleared lands and prairies, where little or no grubbing was required. The width of the space grubbed is seldom more than 50 feet—supposing that on an average one-half of each mile of the right of way required to be grubbed to a width of 50 feet, the amount allowed in each table according to wages is sufficient to cover the cost.

*Grading Earth-Excavation.*

On all railroads constructed prior to 1861, 12,000 cubic yards per mile is fixed as the average earth-excavation, which covers all kinds of ground except solid rock. On all roads constructed since 1860, the average earth-excavation

is fixed at 14,000 cubic yards per mile, in order to cover the increased amount of excavation necessary in crossing mountain ranges. For the information of any who may question the sufficiency of the allowance made in these tables for earth- and rock-excavation per mile, I will here quote what one of the ablest and most prominent civil engineers in the United States writes as to the cost of railroads:

In the States of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin, the average excavation for a railroad, including possible overhaul, will not exceed 8,448 cubic yards per mile, which at 18 cents per cubic yard would amount to \$1,520.64. There is but little rock-excavation in the above States, and, exclusive of large iron bridges, the average cost per mile of road in these States would be \$12,000.

The gentleman who makes the above statement has had years of experience as chief engineer of one of the greatest lines of railroad entering the city of Chicago. For obvious reasons, his name cannot be given.

The reader's attention is called to the fact, as shown in Table No. 2, that in the twelve above-named States, on June 30, 1898, there were 81,640.89 miles of railroad, which was at that time 43.79 per cent of all the main line of railroads in the United States.

#### *Grading Rock-Excavation.*

On all roads constructed prior to 1861, 700 cubic yards per mile is fixed as the average rock-excavation. On all roads constructed since 1860, the average is fixed at 1,000 cubic yards per mile, in order to cover the increased amount of rock-excavation necessary in constructing railroads in a mountain country.

*Masonry.*

This item covers all expenses incurred for masonry in the construction of all kinds of bridges, culverts, drains, retaining-walls, viaducts and any other rock or brick masonry necessary to the completion of the road-bed proper per mile. It is suggested to those who question the sufficiency of the allowance under this head that they compare the same with the different items under the same head, as shown in the valuation of the Galveston, Harrisburg & San Antonio Railroad in Table No. 9. It is, however, admitted that the banks of the streams in Texas are generally low, and that there are but few large rivers running through the State, which facts would affect the amount of masonry necessary in building bridges.

*Ballast.*

The allowance of 1,956 cubic yards per mile furnishes a layer of ballast 9 feet wide on top and 12 inches deep on every mile of main line, second, third and fourth tracks. Yard tracks and sidings are not often ballasted. Ties occupy, on an average, 300 cubic yards of space per mile in the ballast, so that when 1,956 cubic yards of ballast per mile is placed on the road-bed, the layer will be 9 feet wide on top and nearly 14 inches deep. Many miles of road are built through a gravelly country in which the road-bed itself is composed of the very best ballast and requires no further expense in the way of ballast. Gravel is better and cheaper ballast than broken stone, and in these calculations it is assumed that of all the ballast used, one-half is broken stone and the other half gravel.

*Cross-Ties.*

The standard cross-tie is 6 inches thick, 8 inches wide and 8 feet long, but a large proportion of the ties are thicker

and wider than that. Prior to 1861, the average number of ties used per mile was 2,640. Since 1860, the number has been gradually increased, until at the present time (1898) the average number used per mile is 2,992, or 17 ties to each 30-foot rail, although some of the trunk lines use 18 ties per rail, or 3,168 per mile on main line; but in yard and side tracks a less number per mile is used. Prior to 1861, during the period of low prices, in all parts of the territory through which railroads were then operated, cross-ties were delivered at the railroad stations and along the lines at from 10 to 15 cents apiece; since that time the supply of timber suitable for ties has decreased, and the price of ties has increased, until at the present time the average cost per tie, delivered, is about 50 cents. In 1894, 1895 and 1896 the ties in the track of 9,057.91 miles of main lines of railroads in the State of Texas were valued at \$1,326.87 per mile by the Texas Railroad Commission. A large portion of the State of Texas has no timber suitable for cross-ties, and for that reason the cost of ties is probably as great in that State as in any State or Territory in the Union.

### *Rails.*

Table No. 6 shows the price of rails each year from 1852 to 1898. To the price at the mills \$10.00 per ton is added to cover the cost of delivery on the line where they are to be used. In 1898 the railroads hauled rails from Pueblo, Colorado, to San Francisco, California, for \$10.08 per ton of 2,240 pounds, and railway fastenings at the same rate. (See page 57, Twelfth Annual Report, Interstate Commerce Commission.) The average haul from the mills to the line on which the rails are to be used is not as long as the haul from Pueblo to San Francisco. Steel rails were first made



in commercial quantities in the United States in 1867, in which year 2,277 tons were made. At the end of 1870 only 47,701 tons had been made, while during the same period of time the iron mills of this country manufactured 1,900,876 tons of iron rails. During these four years only  $2\frac{1}{2}$  per cent of the gross products were steel rails. (See Table No. 130, Statistical Abstract of the United States for 1882.) The statistics at hand do not show what proportion of the rails imported during this period were steel. Up to 1878 only 11 companies had adopted steel rails, and on June 30, 1880, only 35 per cent of all the tracks in the United States were steel. (See page 295, Vol. 4, Transportation Census of 1880.) From 1871 to 1880, inclusive, the production of iron rails equalled the amount of steel rails made and all rails imported. (See Table No. 130 above referred to.) Since 1882 steel rails have been cheaper than iron rails. In the tables of original cost, the calculations are based on the kind of rail originally laid, not on a later substitution of new steel rails for worn-out iron rails at a time when steel rails were dearer than iron rails. In Table No. 15, giving the present value of the roads, all tracks are assumed to be laid with 65-pound steel rails, which is, in the opinion of experts, rather above what a careful examination of all tracks would show the general average to be. The report of the Texas Commission for 1896, page 14, shows that on June 30, 1895, there were 9,290 miles of main line and 1,274 miles of yard track and sidings in Texas, and that on this entire mileage the weight of rail ran from 30 to 70 pounds per yard.

#### *Spikes.*

The number of spikes required per mile depends upon the number of ties used per mile; usually 4 spikes are used *in each tie, and with some kinds of joint chairs and splices*

2 extra spikes are used at each joint; extra spikes are also required at the switches, and are sometimes used in spiking down plank at the crossings. A spike 5x9-16 inches weighs 8 ounces; one of size 5½x9-16 weighs 8-15 ounces. In the tables giving cost and present value of the roads, the price of spikes is based on the price of cut nails, with an allowance for cost of delivery at point at which they are to be used.

*Chairs, Fish-Plates and Angle-Bars.*

Joint fastenings have varied in weight from about 10 pounds per joint for the old-fashioned joint chair in common use about forty years ago, up to 46 pounds per joint for angle-bars, bolts and nuts used at the present time on the 65-pound rail; the weight per joint increases with the weight of the rail. The price of joint fastenings is based on the price of iron, an allowance being made for cost of manufacturing and delivery at point at which they are to be used.

*Sub-Delivery of Materials along the Line.*

In the construction of new lines of road, after the materials had been hauled on the construction trains to the end of the track, it was formerly necessary to haul them a short distance along the road-bed on wagons, to the point at which they were to be used by the track-layers; this trouble and expense has of late been obviated by the use of tramways, placed on each side of the flat-cars on which the materials are loaded, and by this means the ties, rails and fastenings are delivered directly from the cars to the track-layers, at the exact point at which they are to go into the track.

*Track-Laying and Surfacing.*

The allowance for these items covers the cost of laying the track, leveling, aligning and surfacing it with ballast.

when it is necessary to use other ballast than the road-bed is composed of.

*Small Wooden Bridges, Trestles, Sidings, Crossings, Cattle-Guards and Signs.*

The allowance for these items covers the cost of all small wooden bridges, all trestles, the construction of 352 feet of side track, all crossings, cattle-guards and signs per mile of main line. The proportion of 352 feet of siding to each mile of main line affords a side track 1,760 feet (one-third of a mile) long for each 5 miles of main track, which is about the average length and distance apart of side tracks proper on the entire mileage of main line. Whether the allowance of 352 feet of side track per mile of main line be sufficient or not, the cost of all side track is fully provided for in these tables in the following manner: One-fifteenth for siding is added to the mileage of main line, and that sum subtracted from the total mileage of all tracks, the remainder being the mileage of second, third, fourth, yard and any side track not provided for in the cost of the construction of the main line. (See construction of second, third, fourth and yard track.)

*Switch Furniture, Turntables, Track and Other Scales.*

The price of switch furniture depends somewhat upon the price of iron and steel. The estimates of the average cost of switch furniture given in these tables are based on the estimates given by Trautwine and other engineers, and the prices of iron and steel during the period of time covered by the table in which the estimate is given. It is shown in Table No. 9, Valuation of the Galveston, Harrisburg and San Antonio Railroad, that the total value of all switches on the 919.06 miles of main line and branches is \$56,630,

which is an average of \$61.61 per mile. Turntables are required at the ends of divisions, and sometimes at the larger towns. In lieu of a turntable, what is called a "Y" is often constructed, on which whole trains can be turned more quickly than the engine can be turned on the ordinary turntable. The "Y" being a portion of the track, its construction is provided for in the construction of yard and "other" track. Track scales are generally used at the larger shipping-points, at junctions and at stock-yards, and are sometimes put in the track at the expense of private parties who are large shippers.

*Tools and Furniture, Coal-Chutes and Wood-Sheds, Water Stations.*

Under the items tools and furniture are included all the tools owned by the company and used on the line by laborers and mechanics, on the trains by the trainmen, about the depots by the road employees, and all tools that are not a part of the machinery used by the workmen in the machine shops, and all furniture which is used in the offices and depots of the company.

Under the items coal-chutes and wood-sheds are included all chutes, bins and sheds from which coal or wood is supplied to the engines and cars for heating purposes or the generation of steam.

Under the item water stations is included all machinery, pumps, pipes and tanks by means of which water is supplied to the engines and cars, other than from private or public waterworks.

*Tunnels, Snow-Sheds, Section-Houses, Stock-Yards and Pens*

The expense in building railroads caused by the necessity of having to drive tunnels has been greater on the roads

in the Western mountains than elsewhere in the United States. The expense of building snow-sheds has been almost wholly confined to roads in the Western mountains. Owing to the fact that neither the corporations nor the Government furnish any reliable statistics as to the actual cost of the railroads, it is difficult to arrive at the average cost per mile of tunnels and snow-sheds. After much inquiry as to the cost of all the longer tunnels and snow-sheds, the average has been fixed at from \$200 to \$230 per mile since the building of the first transcontinental line, and the increase in the wages of labor at the close of the Civil War.

Section-houses are much more necessary on the lines of road in sparsely settled portions of the country than in the more populous districts, and for that reason the proportion of section-houses to mileage is greater on the roads between the Missouri River and the Pacific Ocean than in other parts of the country. In the State of Texas the average cost of section-houses on 9,057 miles of main lines of road in 1896 was \$94.23 per mile, which is probably above a fair average for the United States. On the Galveston, Harrisburg & San Antonio Railroad the average cost of section-houses in 1894 was \$130 per mile, but much of the 836 miles of the main line of that road is built in a very sparsely settled country, which fact renders it necessary for the company to build many section-houses for the use of its trackmen.

On all roads over which live stock is shipped to market, stock-yards and pens are necessary; they are sometimes built along the lines of road by private parties for their own convenience. In 1896 the average cost for stock-yards and pens on all the railroads in the great stock-raising State of Texas was \$28.34 per mile.

*Bridges, Viaducts and Excavations for Masonry.*

Several causes have united in bringing about a substitution of iron and steel for wood in the construction of railroad bridges and viaducts, among which are new processes by which iron and steel have constantly decreased in price for the last twenty-five years; suitable timber for bridge-building has of late years become scarce and high-priced. Iron and steel bridges, while being less liable to burn than wooden bridges, are stronger, and stand the heavy traffic and the increasing weight of locomotives and cars better than wooden bridges do, and when properly built, last very much longer than wooden bridges. The allowance for masonry and large bridges and viaducts in these tables will undoubtedly cover the average cost per mile of bridges and viaducts in the United States. It will be remembered that many of the bridges across the larger rivers are owned by bridge companies, not by the railroad companies.

*Round-Houses, Machine Shops, Machinery and General Offices.*

Round-houses and machine shops are generally located at the ends of divisions of from 75 to 125 miles long. The round-house usually has a sufficient number of stalls to hold the engines belonging to the division when not in use. The machine shops are generally of sufficient capacity in the way of machinery and tools to make ordinary repairs on the engines and cars used on the divisions. Some of the important companies, such as the New York Central, Atchison, Topeka & Santa Fé and others, own large plants, and build many of the engines and cars used on their lines, while companies having a moderate mileage buy their engines and cars from the locomotive and car companies. Each company, whether its mileage be great or small, has one general office; while there may be many offices along the lines of the company, there is but one general office, for the building of

*Table No. 10.*—Approximate Average Cost per Mile of the 30,626 Miles of Railroad Constructed in the United States prior to the Year 1861. Average Price of Rails at Mills, \$60.51 per Ton. Average Wages of Laborer, \$1.00 per Day. (Decimals omitted.)

Engineering, superintendence, interest, and law expenses.....	\$1,200
Land damages for right of way 100 feet wide, 12.1 acres, at \$40 per acre.....	480
Grubbing and clearing (average of all roads), 3 acres, at \$40 per acre.....	120
Grading 12,000 cubic yards of earth-excavation, at 12 cents per yard.....	1,440
Grading 700 cubic yards of rock-excavation, at 60 cents per yard.....	420
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$6.25 per yard....	1,250
Ballast, broken stone and gravel, 1,956 cubic yards, at 50 cents per yard.....	978
Cross-ties, 2,819, pine, fir, cedar, chestnut and oak, at 25 cents delivered.....	705
Rails (45 pounds per yard), 70 5-7 tons, at \$70 per ton delivered.....	4,950
Spikes, 6,516 pounds, at 4 cents per pound delivered....	260
Joint chairs, 4,180 pounds, at 3½ cents per pound delivered.....	146
Sub-delivery of materials along the line.....	150
Track-laying and surfacing.....	333
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	700
Switch furniture, \$160; turntables, \$60; track and other scales, \$40.....	260
Tools and furniture, \$220; wood-sheds, \$60; water stations, \$150.....	430
Tunnels, \$150; section-houses, \$75; stock-yards and pens, \$20.....	245
Bridges (large), viaducts and excavations for masonry....	800
Round-houses, machine shops, machinery and general offices.....	500
Depot and terminal grounds and all other real estate (except right of way) used for railroad purposes.....	700
Depot buildings, passenger and freight, and attached buildings.....	450
Rolling stock, locomotives, cars, hand-cars and trucks....	3,500
Telegraph lines, instruments and fixtures and mail cranes, \$200; fences, \$250.....	450
Average cost of each mile of main line and 352 feet of siding.....	\$20,471

Cost of constructing 5,003 miles of second, third, fourth, yard and side track not included in the cost of construction of main line, at 8,256 per mile.....	\$ 41,304,768
Cost of 30,626 miles of main line and 2,041 miles of siding..	626,944,846
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Total cost of all tracks constructed in the United States prior to 1861.....	\$668,249,614
Cost per mile, based on 30,626 miles of main line.....	\$21,819
Miles of main line.....	30,626
Miles of way-siding.....	2,041
Miles of second, third, fourth and yard track.....	5,003
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Total mileage of all track constructed prior to 1861.....	37,670

which this estimate is made, the ground being provided for under the following head of

*Depot and Terminal Grounds and All Other Real Estate (Except Right of Way) Used for Railroad Purposes.*

At the smaller towns and villages along the lines there is room on a 100-foot right of way for the necessary passenger and freight depots. At the larger towns and at cities larger depot buildings are required, for the building of which it is necessary to acquire lands outside of the right of way. Grounds for the location of round-houses, machine shops, general offices, yard tracks and gravel-pits necessitate the purchase of lands outside of the right of way. In the State of Texas in 1895 the value of the right of way, depot grounds and all other real estate used for railroad purposes by all the roads in that State was of the average of \$1,054.59 per mile of main line, as ascertained by the Texas Railroad Commission.

*Depot Buildings, Passenger and Freight, and All Attached Buildings.*

Under this head is included all buildings, warehouses, platforms, sheds and other buildings required at the stations, in the passenger and freight traffic.



*Table No. 11.—Approximate Average Cost per Mile of 22,296 Miles of Railroad Constructed in the United States, from the Beginning of 1861 to the End of 1870. Average Price of Rails, \$105 per Ton at Mills. Average Wages of Laborer, \$1.50 per Day. (Decimals omitted.)*

Engineering, superintendence, interest, and law expenses.....	\$1,600
Land damages for right of way 100 feet wide, 12.1 acres, at \$60 per acre.....	726
Grubbing and clearing (average of all roads), 3 acres, at \$65 per acre.....	195
Grading 14,000 cubic yards of earth-excavation, at 19 cents per yard.....	2,660
Grading 1,000 cubic yards of rock-excavation, at 90 cents per yard.....	900
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$8.50 per yard....	1,700
Ballast, broken stone and gravel, 1,956 cubic yards, at 75 cents per yard.....	1,467
Cross-ties, 2,819, pine, fir, cedar, oak and redwood, at 45 cents delivered.....	1,268
Rails (50 pounds per yard), 78 4-7 tons, at \$115 per ton delivered.....	9,036
Spikes, 6,516 pounds, at 5¼ cents per pound delivered....	374
Fish-plates, bolts and nuts, 7,667 pounds, at 5 cents per pound delivered.....	383
Sub-delivery of materials along the line.....	250
Track-laying and surfacing.....	550
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	900
Switch furniture, \$220; turntables, \$75; track and other scales, \$60.....	355
Tools and furniture, \$300; wood-sheds and coal-chutes, \$115; water stations, \$250.....	665
Tunnels and snow-sheds, \$230; section-houses, \$100; stock-yards and pens, \$40.....	370
Bridges (large), viaducts and excavations for masonry..	1,500
Round-houses, machine shops, machinery and general offices.....	700
Depot and terminal grounds, and all other real estate (except right of way) used for railroad purposes....	850
Depot buildings, passenger and freight, and attached buildings.....	500
Rolling stock, locomotives, cars, hand-cars and trucks...	5,000
Telegraph lines, instruments and fixtures, \$248; mail cranes, \$2; fences, \$420.....	670

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*Average cost of each mile of main line, including 352 feet of siding.....* **\$32,813**

Cost of constructing 3,642 miles of second, third, fourth yard and side track not included in cost of construction of main line, at \$14,574 per mile.....	\$ 53,078,508
Cost of 22,296 miles of main line and 1,486 miles of siding..	727,273,224
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Total cost of railroads constructed in the United States from 1861 to 1870, inclusive.....	\$780,351,732
Cost per mile, based on 22,296 miles of main line.....	\$34,999
Miles of main line.....	22,296
Miles of way-siding.....	1,486
Miles of second, third, fourth and yard track.....	3,642
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Total mileage of all tracks constructed from 1861 to 1870, inclusive.....	27,424

*Rolling Stock, Engines, Cars, Hand-Cars and Trucks.*

Because of the refusal of the railroad companies and car-builders to make public the present prices of the different kinds of cars, the estimates for rolling stock of all kinds is based, partly on the prices of locomotives furnished by the Baldwin and Schenectady locomotive works, partly on the prices of steel and iron during the different periods of time covered by these tables, and partly on the returns as to the value of their rolling stock made by the companies to the Interstate Commerce Commission for the year ending June 30, 1898, by which return it appears that the total cost of the equipment of 170,060.03 miles of road is \$526,347,372, or of an average cost of \$3,095.06 per mile of main line, which, being the companies' valuation, is doubtless high enough.

*Telegraph Lines, Instruments and Fixtures, Mail Cranes, Fences.*

The average cost per mile of a telegraph line of four wires is at the present time (1898) as follows: Thirty poles 26 feet long, \$1.50 each, delivered, \$45.00; labor, \$62.50; wire (4 lines), \$55; cross-arms, \$6; insulators, wire ties, batteries and instruments, \$15.50; total, \$184.00. Mail cranes,

*Table No. 12.—Approximate Average Cost per Mile of 40,374 Miles of Railroad Constructed in the United States during the Ten Years Commencing with the Year 1871 and Ending with the Year 1880. Average Price of Rails, \$63 per Ton at Mills. Average Wages of Laborer, \$1.50 per Day. (Decimals omitted.)*

Engineering, superintendence, interest and law expenses.....	\$1,500
Land damages for right of way 100 feet wide, 12.1 acres, at \$55 per acre.....	665
Grubbing and clearing (average of all roads), 3 acres, at \$65 per acre.....	195
Grading 14,000 cubic yards of earth-excavation, at 19 cents per yard.....	2,660
Grading 1,000 cubic yards of rock-excavation, at 90 cents per yard.....	900
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$8.50 per yard....	1,700
Ballast, broken stone and gravel, 1,956 cubic yards, at 75 cents per yard.....	1,467
Cross-ties, 2,992, pine, fir, cedar, oak and redwood, at 45 cents delivered.....	1,346
Rails (55 pounds per yard), 86 3-7 tons, at \$73 per ton delivered.....	6,310
Spikes, 6,751 pounds, at 4¼ cents per pound delivered....	287
Angle splice bars, bolts and nuts, 12,286 pounds, at 3½ cents per pound delivered.....	395
Sub-delivery of materials along the line.....	250
Track-laying and surfacing.....	550
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	900
Switch furniture, \$176; turntables, \$60; track and other scales, \$40.....	276
Tools and furniture, \$220; coal-chutes and wood-sheds, \$110; water stations, \$200.....	530
Tunnels, and snow-sheds, \$230; section-houses, \$100; stock-yards and pens, \$40.....	370
Bridges (large), viaducts and excavations for masonry...	1,400
Round-houses, machine shops, machinery and general offices.....	650
Depot and terminal grounds, and all other real estate (except right of way) used for railroad purposes....	800
Depot buildings, passenger and freight, and attached buildings.....	500
Rolling stock, locomotives, cars, hand-cars and trucks...	3,500
Telegraph lines, instruments and fixtures, \$228; mail cranes, \$2; fences, \$400.....	630

*Average cost of each mile of main line, including 352 feet of siding.....*

**\$21,781**

Cost of constructing 6,595 miles of second, third, fourth, yard and side track, not included in cost of construction of main line, at \$11,748 per mile.....	\$ 77,478,060
Cost of 40,374 miles of main line and 2,691 miles of siding.....	1,121,630,094
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Total cost of all railroads constructed in the United States from 1871 to 1880, inclusive.....	\$1,199,108,154
Cost per mile, based on 40,374 miles of main line.....	\$29,700
Miles of main line.....	40,374
Miles of way-siding.....	2,691
Miles of second, third, fourth and yard tracks.....	6,595
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Total mileage of all tracks constructed from 1871 to 1880, inclusive.....	49,660

§1. Fences, where constructed of posts and boards in such manner as to stop hogs, will cost about \$500 per mile; however, but a small portion of the mileage is fenced in that manner. The companies usually build a post and wire fence, intended only to turn horses and cattle. A great many miles of roads in the mountains and on the deserts are not fenced at all. Through cities and towns no fences are required on the line of the road. The average cost of fences on the Galveston, Harrisburg & San Antonio Railroad was fixed at \$261.39 per mile by the Texas Commission in 1894.

*Second, Third, Fourth, Yard and Side Track.*

The mileage of second, third, fourth, yard and side track constructed up to the end of 1880 equalled 23 per cent of the mileage of the main line constructed up to that time. The mileage of second, third, fourth, yard and side track constructed from 1881 to 1890, inclusive, equalled 27.89 + per cent of the mileage of the main line constructed during that ten years. The mileage of second, third, fourth, yard and side track constructed from 1891 to June 30, 1898, inclusive, equalled 97.44 + per cent of the mileage of main line constructed during the same period of time. Thus of the 38,924

*Table No. 13.*—Approximate Average Cost per Mile of the 73,386 Miles of Railroad Constructed in the United States during the Ten Years Commencing with the Year 1881 and Ending with the Year 1890. Average Price of Rails, \$36.90 per Ton at Mills. Average Wages of Labor, \$1.45 per Day. (Decimals omitted.)

Engineering, superintendence, interest and law expenses.....	\$1,500
Land damages for right of way 100 feet wide, 12.1 acres, at \$50 per acre.....	605
Grubbing and clearing (average of all roads), 3 acres, at \$60 per acre.....	180
Grading 14,000 cubic yards of earth-excavation, at 16 cents per yard.....	2,240
Grading 1,000 cubic yards of rock-excavation, at 75 cents per yard.....	750
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$7.50 per yard...	1,500
Ballast, broken stone and gravel, 1,956 cubic yards, at 70 cents per yard.....	1,369
Cross-ties, 2,992, pine, fir, cedar, oak and redwood, at 45 cents delivered.....	1,346
Rails (60 pounds per yard), 94 2-7 tons, at \$46.90 per ton delivered.....	4,422
Spikes, 6,869 pounds, at 3¼ cents per pound delivered..	223
Angle splice bars, bolts and nuts, 15,040 pounds, at 2¾ cents per pound delivered.....	413
Sub-delivery of materials along the line.....	250
Track-laying and surfacing.....	500
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	900
Switch furniture, \$100; turntables, \$50; track and other scales, \$35.....	185
Tools and furniture, \$170; coal-chutes and wood-sheds, \$105; water stations, \$175.....	450
Tunnels and snow-sheds, \$230; section-houses, \$100; stock-yards and pens, \$35.....	365
Bridges (large), viaducts and excavations for masonry..	1,400
Round-houses, machine shops, machinery and general offices.....	600
Depot and terminal grounds and all other real estate (except right of way) used for railroad purposes..	850
Depot buildings, passenger and freight, and attached buildings.....	550
Rolling stock, locomotives, cars, hand-cars and trucks..	3,300
Telegraph lines, instruments and fixtures and mail cranes, \$210; fences, \$380.....	590

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*Average cost of each mile of main line and 352 feet of siding.....* **\$24,488**

Cost of constructing 15,575 miles of second, third, fourth, yard and side track not included in the cost of construction of main line, at \$9,453 per mile.....	\$ 147,230,475
Cost of 73,386 miles of main line and 4,893 miles of siding.....	1,797,076,368
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Total cost of all railroads constructed in the United States from 1881 to 1890, inclusive.....	\$1,944,306,843
Cost per mile, based on 73,386 miles of main line.....	\$26,494
Miles of main line.....	73,386
Miles of way-siding.....	4,893
Miles of second, third, fourth and yard tracks.....	15,575
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Total mileage of all tracks constructed from 1881 to 1890, inclusive.....	93,854

miles of track constructed from 1891 to June 30, 1898, inclusive, only 19,714 miles of it were main line, the other 19,210 miles being second, third, fourth, yard and side track.

The construction of a second, third, or fourth track is much less expensive than the construction of the main line. Engineering difficulties are settled in the construction of the main line. The second, third and fourth tracks occupy the same right of way acquired for the main line. The expense for grubbing, grading and bridging is less for each additional track than for the first or main line.

The turntables, scales, tools, furniture, coal-chutes, wood-sheds, water stations, section-houses, depot buildings, round-houses, machine shops, rolling stock, telegraph lines, stock pens and fences of the main line are used by the second, third and fourth tracks. Side and yard tracks are usually located on level ground, where there are no engineering difficulties to overcome, and where the expenses of grading, masonry and bridging are very light.

*Construction of Second, Third, Fourth, Yard and Side Track.*

Table No. 10 shows that at the end of 1860 there were 30,626 miles of main line of railroad in the United States.

*Table No. 14.*—Approximate Average Cost per Mile of 19,714 Miles of Railroad Constructed in the United States during the Seven and a Half Years Commencing with the Year 1891 and Ending with June 30, 1898. Average Price of Rails, \$25.09 per Ton at Mills. Average Wages of Laborer, \$1.45 per Day. (Decimals omitted.)

Engineering, superintendence, interest and law expenses.....	\$1,450
Land damages for right of way 100 feet wide, 12.1 acres, at \$50 per acre.....	605
Grubbing and clearing (average of all roads), 3 acres, at \$55 per acre.....	165
Grading 14,000 cubic yards of earth-excavation, at 14 cents per yard.....	1,960
Grading 1,000 cubic yards of rock-excavation, at 75 cents per yard.....	750
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$7.50 per yard..	1,500
Ballast, broken stone and gravel, 1,956 cubic yards, at 65 cents per yard.....	1,271
Cross-ties, 2,992, pine, fir, cedar, oak and redwood, at 50 cents delivered.....	1,496
Rails (65 pounds per yard), 102 1-7 tons, at \$35 per ton delivered.....	3,575
Spikes, 6,869 pounds, at 2¼ cents per pound delivered....	154
Angle splice bars, bolts and nuts, 17,296 pounds, at 1¾ cents per pound delivered.....	303
Track-laying and surfacing.....	500
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	900
Switch furniture, \$85; turntables, \$45; track and other scales, \$30.....	160
Tools and furniture, \$150; coal-chutes and wood-sheds, \$100; water stations, \$150.....	400
Tunnels and snow-sheds, \$200; section-houses, \$100; stock-yards and pens, \$30.....	330
Bridges (large), viaducts and excavations for masonry...	1,300
Round-houses, machine shops, machinery and general offices.....	600
Depot and terminal grounds, and all other real estate (except right of way) used for railroad purposes....	850
Depot buildings, passenger and freight, and attached buildings.....	550
Rolling stock, locomotives and cars, hand-cars and trucks..	3,100
Telegraph lines, instruments and fixtures and mail cranes, \$195; fences, \$360.....	555
<i>Average cost of each mile of main line and 352 feet of siding.....</i>	<i>\$22,474</i>

Cost of constructing 17,896 miles of second, third, fourth, yard and side track not included in cost of construction of main line, at \$8,419 per mile.....	\$150,666,424
Cost of 19,714 miles of main line and 1,314 miles of siding.....	443,052,436

Total cost of all railroads constructed in the United States from 1891 to 1898, inclusive.....	\$593,718,860
Cost per mile, based on 19,714 miles of main line.....	\$30,116
Miles of main line.....	19,714
Miles of way-siding.....	1,314
Miles of second, third, fourth and yard track.....	17,896

Total mileage of all tracks constructed from 1891 to June 30, 1898, inclusive.....	38,924
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*Recapitulation.*

Total miles of line of railroad constructed in the United States prior to June 30, 1898, and total cost of same.	
Miles of main line.....	186,396
Miles of way-siding.....	12,425
Miles of second, third, fourth, and yard track.....	48,711

Total mileage of all tracks.....	247,532
Average cost of each mile of main line and 352 feet of siding.....	\$25,300
Average cost per mile of 48,711 miles of second, third, fourth and yard track.....	\$9,643
Average cost per mile, based on 186,396 miles of main line..	\$27,821
Total cost of all roads in the United States on June 30, 1898.....	\$5,185,735,203

In this table the mileage of second, third, fourth, yard and side track equals 23 per cent of the mileage of the main line, or 7,043.98—say 7,044 miles. By adding this mileage to the mileage of main line it is shown that the total mileage of all tracks constructed up to the end of 1860 was 37,670 miles. In the cost of construction of each mile of the 30,626 miles of main line, provision is made for the construction of 352 feet of siding, which amounts in the aggregate to 2,041 miles; deduct these 2,041 miles from the 7,044 miles of second, third, fourth, yard and side track, and there remain 5,003 miles of second, third, fourth and yard track to be constructed. In making provision for the different items of



expense entering into the construction of these 5,003 miles, the following proportion of the same items of expense in the construction of the main line is allowed. Engineering,  $\frac{1}{4}$ ; grubbing, 1-3; grading earth,  $\frac{1}{4}$ ; grading rock,  $\frac{1}{4}$ ; masonry, 1-3; ballast, 22 per cent. Ties, rails, spikes, joints, laying track and surfacing, and switches, the full amount allowed in the table for same items in the construction of the main line. Bridges and viaducts, 1-3. This allowance for the construction of second, third, fourth and yard track amounts, in Table No. 10, to \$8,256 per mile on 5,003 miles; in Table No. 11, to \$14,574 per mile on 3,642 miles; in Table No. 12, to \$11,748 per mile on 6,595 miles; in Table No. 13, to \$9,453 per mile on 15,575 miles; in Table No. 14, to \$8,419 per mile on 17,896 miles; and in Table No. 15, to \$7,499 per mile on 48,711 miles of second, third, fourth and yard track.

Table No. 14 shows that the total cost of all railroad property on June 30, 1898, did not exceed the sum of \$5,185,735,203; how much of this amount the corporations received in public and private donations of money will probably never be known by the people, but it is certain that the public and private subscriptions of cash in aid of railroads have amounted to many millions of dollars. There are no available records showing the value of public and private donations of lands used for right of way, depot, division terminal and other railroad purposes, but it is certain that the aggregate value of such lands amounts to a great many millions of dollars. There are, however, some records concerning gifts to the corporations, that are available, and these are the public records of land grants by the United States and the several States in aid of railroad construction. The following letter, received by the writer from *the Department of the Interior*, speaks for itself:

Department of the Interior, General Land Office.

Washington, D. C., May 10, 1899.

*Mr. Jesse Hardesty:*

Sir,—I am in receipt of your letter of the 15th ult., asking to be advised of the number of acres of land granted by the United States to aid in the construction of railroads, the number of acres that have been patented under railroad grants, and the number of acres that have been forfeited for non-compliance with the terms of the grants.

In reply I have to advise you that the number of acres granted can not be definitely stated until after all railroad grants have been adjusted, but the amount has been estimated to be in the neighborhood of 197,000,000 acres.

Up to June 30, 1898, the amount of lands patented to railroads was 88,947,861.63 acres, and since that time but a comparatively small amount has been patented.

The number of acres forfeited has never been ascertained, but a rough estimate places the amount at about 35,000,000 acres.

Very respectfully,

W. A. Richards,  
Assistant Commissioner.

As will be seen by the above letter, after deducting the forfeited 35,000,000 acres, the corporations will receive from the United States Government patents to 162,000,000 acres of land to aid them in the construction of railroads; by adding to this amount 35,144,612 acres granted by the different States in aid of railroad construction (see pages 566 to 569, Vol. 4, Census of 1880), we have the magnificent area of 197,144,612 acres. In order that the reader may get a fair idea of the size of the aggregate of these vast grants, it is only necessary to call his attention to the fact that, out of this vast acreage, the land acreage of the 9 following named States could be taken without exhausting it; viz.:

Rhode Island, area of land in acres.....	694,400
Delaware, area of land in acres.....	1,254,400
Massachusetts, area of land in acres.....	5,145,600
Ohio, area of land in acres.....	26,086,400
Kentucky, area of land in acres.....	25,600,000
Indiana, area of land in acres.....	22,982,400
Illinois, area of land in acres.....	35,840,000
Iowa, area of land in acres.....	35,646,000
Missouri, area of land in acres.....	43,796,000

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Total area of land in acres.....	197,045,200
	99,412

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Land granted to railroads, area of land in acres.....	197,144,612
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After taking the total area of the land in the above States from the acreage of the grants to railroads, we still have 99,412 acres left, enough to form a number of good farms and stock ranches. Some of the lands granted to aid in the construction of railroads are not at the present time of much value, but, on the other hand, millions of acres of railroad lands have been sold by the corporations at from \$5 to \$30 per acre, and some for much more. With the above facts staring him in the face, is it not enough to excite the contempt of a patient man when he hears or reads the twaddle that is talked by the United States courts about "the corporations using *their* property for the convenience of the public"? If the corporations did not use the railroads for the "convenience" of the public and the *benefit* of a lot of trusts and combines, that the higher railroad and other officials are interested in, for whose convenience would they use them?

Table No. 15, like the five preceding tables, Nos. 10, 11, 12, 13 and 14, is based on the cost and value of railroads composed of new materials of all kinds and new machinery.

rolling stock, bridges, buildings, furniture, tools, etc., etc. Table No. 15 gives what would be the cost and value of 247,532.52 miles of new track fully equipped in every way, just completed on June 30, 1898, but, as the reader knows, on that day the tracks, rolling stock, bridges, buildings, machinery, tools, furniture and materials of which they were composed were not new; on the contrary, some of the same were worn out, and almost worthless, and required renewal. It is the opinion of many of the most competent railroad contractors and civil engineers that the average deterioration from first cost in the value of the roads and their equipment from wear and age is at least 25 per cent at all times, but, to be conservative and on the safe side, the writer places the same at 15 per cent; and hence, in order to arrive at the true value of the roads in their present condition, it is necessary to deduct at least 15 per cent: from the cost of masonry, \$303,949,500; ties, \$370,308,649; rails, \$682,694,690; spikes, \$32,179,227; angle-bars, bolts and nuts, \$68,318,975; small wooden bridges, trestles, crossings, cattle-guards and signs, \$78,472,716; switch furniture, turntables, track and other scales, \$30,924,346; tools, furniture, coal-chutes, wood-sheds and water stations, \$74,558,528; snow-sheds, section-houses, stock-yards and pens, \$26,095,484; bridges and viaducts, \$186,396,320; round-houses, machine shops, machinery and general offices, \$111,837,792; depot buildings, passenger and freight and attached buildings, \$102,517,796; rolling stock, locomotives, cars, hand-cars and trucks, \$596,468,224; telegraph lines, instruments, fixtures, mail cranes and fences, \$99,722,031; total, \$2,764,444,458, 15 per cent of which is \$414,666,668; this amount deducted for wear and age from \$4,369,263,138, the full value of the railroads complete if all new on June 30, 1898, shows that the actual value.

*Table No. 15.*—Approximate Average Cost of One Mile of Railroad in the United States on the 30th day of June, 1898. Price of Rails, \$17 per Ton at Mills. Wages of Laborer, \$1.45 per Day. (Decimals omitted.)

Engineering, superintendence, interest and law expenses..	\$1,450
Land damages for right of way 100 feet wide, 12.1 acres, at \$50 per acre.....	605
Grubbing and clearing (average of all roads) 3 acres, at \$55 per acre.....	165
Grading 14,000 cubic yards of earth-excavation, at 13 cents per yard.....	1,820
Grading 1,000 cubic yards of rock-excavation, at 70 cents per yard.....	700
Masonry of culverts, drains, abutments of bridges, retaining-walls, etc., 200 cubic yards, at \$7.50 per yard.....	1,500
Ballast, broken stone and gravel, 1,956 cubic yards, at 65 cents per yard.....	1,271
Cross-ties, 2,992, pine, fir, cedar, oak and redwood, at 50 cents delivered.....	1,496
Rails (65 pounds per yard), 102 1-7 tons, at \$27 per ton delivered.....	2,758
Spikes, 6,869 pounds, at 1 9-10 cents per pound delivered	130
Angle splice bars, bolts and nuts, 17,296 pounds, at 1 6-10 cents per pound delivered.....	276
Track-laying and surfacing.....	500
Small wooden bridges, trestles, sidings, crossings, cattle-guards and signs.....	900
Switch furniture, \$80; turntables, \$40; track and other scales, \$25.....	145
Tools and furniture, \$150; coal-chutes and wood-sheds, \$100; water stations, \$150.....	400
Tunnels and snow-sheds, \$200; section-houses, \$100; stock-yards and pens, \$30.....	330
Bridges (large), viaducts and excavations for masonry... Round-houses, machine shops, machinery and general offices.....	1,300
Depot and terminal grounds and all other real estate (except right of way) used for railroad purposes...	600
Depot buildings, passenger and freight, and attached buildings.....	850
Rolling stock, locomotives, cars, hand-cars and trucks..	550
Telegraph lines, instruments and fixtures and mail cranes, \$185; fences, \$350.....	3,200
	535
<hr/>	
Average cost of each mile of main line and 352 feet of siding.....	\$21,481

Cost of constructing 48,711 miles of second, third, fourth, yard and side track not included in the cost of construction of main line at \$7,499 per mile.....	\$ 365,283,789	396
Cost of 186,396.32 miles of main line and 12,425 miles of siding.....	4,003,979,349	
<hr/>		
Total value of all railroads in the United States on June 30, 1898, if all new .....	\$4,369,263,138	
Less 15 per cent on \$2,764,444,458 of the above value for wear.....	414,666,668	
<hr/>		
Actual value of all railroads in the United States on June 30, 1898.....	\$3,954,596,470	
Value per mile on June 30, 1898, based on 186,396.32 miles of main line.....	\$21,216	

of all the roads on that day did not exceed \$3,954,596,470, being an average value of \$21,216+ per mile if based on the 186,396 miles of main line. These figures will seem small when compared with the amount of stocks and bonds that have been issued on this same mileage, and doubts of their accuracy will arise in the minds of those who have been reading articles from the pens of Mr. Robert P. Porter and others who assert that in 1890 "the value of our railroads was in the neighborhood of \$12,000,000,000." To a thinking man who doubts something more than bold assertion is due, and for that reason Tables Nos. 6 and 7 and the prices of labor are published herein, in order that anyone who desires to do so may satisfy himself as to the prices of iron, steel locomotives and labor at the time the railroads were constructed, and of the actual value of railroads as contained in Tables 8 and 9. Table No. 6 shows that during the years 1894, 1895 and 1896 the average prices of rails at the Eastern mills were \$24.00, \$24.33 and \$28.00 per ton; it was during those years that the valuation was placed on the Texas roads; while on June 30, 1898, the date of Table No. 15, steel rails sold at the Eastern mills at \$17.00 per ton,

and would no doubt have continued to sell at or below that price but for the ~~operation~~<sup>work</sup> of the iron and steel trust. The average value of \$21,216 per mile on the entire mileage of main lines of railroad in the United States is \$5,485 per mile greater than a careful survey and measurement of the 9,057.91 miles of main line, including all other tracks, showed the value of the Texas roads to be; yet the State of Texas contains 941.86 miles of the trunk line of the Southern Pacific Railroad; 957.74 miles of the main line of the great Atchison, Topeka & Santa Fé system, and large proportions of the mileage of other great railroads. Concerning the condition of the roads in the State, the Texas Railroad Commission, in its Report for 1895, says:

In the course of this inspection, much exceedingly good track has been noted, and some that compares well in surface, ballast and alignment with any in the country.

By applying the average value of all the railroads in Texas, \$15,731.01 per mile of main line, to the 186,396 miles of main line in all the States and Territories, we get as their total value \$2,932,197,339+, which is \$1,022,399,131 less than the value of all the roads as given in Table No. 15; but, as before stated, the average value per mile of the roads in Texas is less than the average value per mile of the roads in many other parts of the country, but it is confidently asserted by experienced railroad contractors and constructors, to whom Table No. 15 was shown before published, that all the railroads in the United States could be duplicated or reproduced, if prices remained as they were on June 30, 1898, for a less sum than \$3,954,596,470.

CHAPTER V.

Operating expenses.—What is included under that head.—Per cent of the gross earnings expended in the operation of the roads.—False returns of railroad officials as to operating expenses.—Necessity of public control over corporate accounts.—Parasites on corporate management.—Gross earnings, operating expenses and net earnings from 1892 to 1896.—Increase in number of “general” and “other” railroad officers 32 per cent in four years.—Number of railroad employees in United States.—Number and salaries of general officers more than four times as much as the number and salaries of the general officers of the United States, States and Territories.—Operating expenses throughout the world.

Under the head of operating expenses is included every possible expense and disbursement of money, except interest on bonds, dividends on stock, and taxes, to which a finished line of railroad is subjected. If the company pays for killing a cow, ~~it is charged as~~ operating expenses. If the president of the road is paid \$75,000 in the way of salary, it is charged to operating expenses. All salaries, wages, commissions and “presents” are charged up as operating expenses. When, in violation of the law, discriminations are made, and rebates paid to favored friends of the road, the amounts so paid are called “operating expenses.” If legislation, State or National, needs looking after in the interests of the roads, the expense incurred is part of the operating expenses. When contributions are made in aid of a political party at a special or general election, the amount so given

*The amount so paid*

*per year*



is accounted for under the head of "unclassified operating expenses." It appears in Table No. 16 that operating expenses during the five years from 1894 to 1898, inclusive, av-

TABLE NO. 16.—Comparative Condensed Income Account for the Years Ending June 30, 1898 to 1894.

Item.	Amount.				
	1898.*	1897.†	1896.‡	1895.§	1894.
Gross earnings from operation.....	\$1,247,325,821	\$1,122,089,773	\$1,150,189,376	\$1,075,371,462	\$1,073,361,797
Less operating expenses.....	817,973,276	752,524,764	772,689,044	723,720,415	731,414,322
Income from operation.....	\$429,352,545	\$369,565,009	\$377,180,332	\$349,651,047	\$341,947,475
Income from other sources.....	138,202,719	128,090,010	129,024,731	137,452,153	142,510,505
Total income.....	\$567,555,264	\$494,655,019	\$506,205,063	\$482,083,190	\$484,764,280
Total deductions from income.....	427,236,703	413,397,513	416,573,137	425,966,921	429,003,310
Net income.....	\$140,319,421	\$81,257,506	\$89,631,926	\$56,116,259	\$ 55,755,970
Total dividends (including "other payments from net income").....	†98,240,864	**87,377,939	††88,097,757	††85,961,500	§§101,607,264
Surplus from operations.....	\$44,078,557	\$6,120,433	\$1,534,169	§29,845,241	§45,351,294

\*184,648.96 miles of line represented.

†183,281.25 miles of line represented.

‡151,562.64 miles of line represented.

§177,466.23 miles of line represented.

||175,680.96 miles of line represented.

\*\*Includes \$37,975, "other payments from net income."

††Includes \$267,384, "other payments from net income."

‡‡Includes \$494,386, "other payments from net income."

§§Includes \$673,957, "other payments from net income."

||||Includes \$6,092,038, "other payments from net income."

|||Deficit.

eraged 67.10 per cent of the gross earnings of all the roads reporting to the Interstate Commerce Commission. The lowest per cent during these five years was in 1898, when operating expenses amounted to 65.57 per cent of the gross earnings, and the highest per cent was in 1894, when operating expenses amounted to 68.14 per cent of the gross earnings.

The reports of the railroads upon which the "statistics" of the Interstate Commerce Commission are based are made by the companies under the requirements of an act of Congress to "regulate commerce between the States"; and as evidence of the truth of these reports made by the companies, the following statement made by the Interstate Commerce Commission, on pages 63 and 64 of its Report to the Senate and House of Representatives on December 3, 1894, is submitted for the reader's consideration:

*Annual Reports of Common Carriers.*

Pursuant to Section 20 of the act to regulate commerce, reports are required to be made to the Commission by all common carriers subject to the act, showing in detail the amount of capital stock issued by each of such common carriers, the dividends paid, its surplus fund, the funded and floating debts, the interest paid thereon, salaries paid, amounts expended, how expended, the earnings and receipts from all sources, the balance of profit and loss, and a complete exhibit of the financial operations of the carrier for each year, including an annual balance-sheet.

In response to this requirement, an important railroad system filed with the Commission a report, verified by the oaths of its president and auditor, for the year 1893. It subsequently appeared from a statement made by an expert accountant, who made an examination of its affairs and accounts on behalf of parties interested therein, that during the period covered by said report large sums of money had been paid out by the company by way of rebates and drawbacks, but were falsely covered under the head of legitimate expenditures.

Under the existing law, no indictment for perjury can be predicated upon such false and fraudulent report, though made under oath. In order to prevent the making of such false reports, offenders in this respect should be subjected to punishment for perjury. It is important also that carriers required to make reports under the law should be subject to reasonable penalty or forfeiture for failure to do so.

It appears from the above statement of the Interstate Commerce Commission that some of the reports made by the corporations are not only entirely unreliable, but that they are deliberately false, and made with intent to deceive the public; not only that, but it also appears that the making of a report at all is optional on the part of the corporations, there being no penalty for a failure to comply with the law in that respect. The reader will notice that in no instance do the reports, as contained in Table No. 16, cover the entire mileage of railroad in operation during that year, as shown in Table No. 1. It must suggest itself to the reader that if the corporations falsify their reports in one respect, why not in another? Why may they not report a smaller amount than they received as gross income or earnings? Why may they not report what would be legitimate operating expenses as greatly in excess of the actual cost? Why not falsely charge up to "maintenance of ways and structures" exorbitant salaries paid to officers? Why not charge to "conducting transportation" large sums paid out to influence executive, legislative and judicial officers?—for it is generally believed that the corporations use money for that purpose. Neither the States nor the general Government have any control over the system of bookkeeping used by the corporations. Operating expenses can never be known by the law-making power until that power shall assume entire control over railroad bookkeeping. As to the

necessity of such control, an extract from the Report of the Interstate Commerce Commission to the Senate and House of Representatives on December 2, 1895, page 63, is here submitted for the reader's consideration:

Public control over corporate accounts might justly be carried so far as to guarantee to investors the integrity of the statements upon which the value of their property depends. Such an episode, for example, as that which recently startled the country, in which the official of a railway corporation deceived investors by erroneous charges amounting to millions of dollars, would not have been possible after ten years of successful operation of a system of public supervision over accounts. **THE MANY PARASITES ALSO ON CORPORATE MANAGEMENT BY WHICH PROFITS ARE SUCKED UP BEFORE THE CLAIMS OF STOCKHOLDERS ARE REACHED** would be brought to light by a system of public supervision over accounts, and if exposure did not cause these abuses to disappear, they might be dealt with in the light of explicit information.

Few persons appreciate the extent to which railway corporations are engaging in business outside the legitimate service of transportation, or the extent to which businesses legitimately a part of the transportation industry are delegated to outside agencies. The problem approached in this manner is indeed a great problem, and it may take years to work out of the confusion into which the supremacy of private interest in corporate management has brought the railway system of the United States; but respecting one fact there can be no difference of opinion, and that is, that the first step toward this end is the development of a legally prescribed system of book-keeping which the carriers shall be obliged to follow. In no other way can a just and equitable value be assigned to railway property, since in no other way can the earnings of such property be accurately ascertained. It is believed that the investor even more than the public would be benefited by public supervision over railway accounts. The only interest endangered by such a measure is that of the speculator, whose margin of profit is in proportion to uncertainty, **AND THAT OF THOSE RAILWAY OFFICIALS WHO ARE NOT CONTENT WITH THE PAYMENT OF A SALARY, BUT WHO CREATE AN INCOME INCIDENTAL TO THE MANAGEMENT OF THE**

## PROPERTY—AN INCOME WHICH IN MANY CASES IS THE FRUIT OF DISHONOR.

From the year 1871 to 1898, inclusive, the railroads collected as gross earnings from operation \$22,770,116,414. Of this amount the sum of \$15,117,393,276 is accounted for as having been expended in operating the roads, leaving the sum of \$7,652,723,138 as net profit on the amount invested in the roads. (See page 353, Statistical Abstract of the United States for 1898.) During these twenty-eight years the net profits on operation amounted to \$3,698,126,668 more than the present value of all the roads. The reader will observe that the vast sums realized by the corporations in the way of public donations, by the sale of the millions of acres of land granted to them by Government, and from other sources, are not included in the above statement of net profits. As to the manner in which the \$15,117,393,276 was used in payment of operating expenses, Tables Nos. 17 and 18 will partly explain. Table No. 17 is a summary of the employees of the roads by class and per 100 miles of line for five years ending with June 30, 1898, while Table No. 18 gives the average daily compensation of the different classes of employees for the same length of time. All officers prior to 1894 were called "general officers," but as there was an increase in that class of 506 in the year 1893, it was probably thought best to designate some of them by another name ("What's in a name?"); and when 1894 saw a further increase of 425 in the officer class, 1,778 of them were designated as "other officers," while 5,257 of them remained "general officers." In 1895 there was a still further increase of 906 in the officer class, and 2,534 are now "other officers," while 5,407 are "general officers." In 1896 there was an increase of 149, showing a total increase of "general" and

“other” officers of 1,986 in four years. Table No. 1 will show that it was not a great increase in railroad mileage that necessitated this alarming increase in the number of railroad officials, for during these four years there were but 11,213 miles of main line of railroad constructed in the United States. The per cent in the increase of railroad officers should be in proportion to the per cent of increase of other railroad employees and of the railroad mileage under their supervision. The *Locomotive Fireman’s Magazine* of April, 1898, says as follows on this subject:

The following is the increase in the per cent of railway mileage, of the number of railway employees and the number of railway officials:

Total mileage of railways in the United States, June 30, 1892.....	171,563
Total mileage of railways in the United States, June 30, 1896.....	182,776
Per cent of increase.....	.06½
Total number of railway employees in the United States, June 30, 1892.....	815,311
Total number of railway employees in the United States, June 30, 1896.....	818,530
Per cent of increase.....	.00%
Total number of railway “general officers” and “other officers” in the United States, June 30, 1892.....	6,104
Total number of railway “general officers” and “other officers” in the United States, June 30, 1896.....	8,090
Per cent of increase.....	.32½

This shows that while the mileage has increased a little over 6 per cent and the number of employees only about ⅓ of 1 per cent, the number of “general” and “other” officials has increased more than 32 per cent.

While there were 6,610 general officers in 1893, there were but 5,257 of that name in 1894, for some reason best known to themselves—probably for a mere disguise of the

TABLE NO. 17.—Comparative Summary of Employees, by Class and per 100 Miles of Line, for the Years Ending June 30, 1898 to 1892.

[From the Report of the Interstate Commerce Commission.]

Class.	1898.		1897.		1896.		1895.		1894.		1893.		1892.	
	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.	Num-ber.	Per 100 Miles of Line.
General officers....	4,958	3	4,890	3	5,372	3	5,407	3	5,257	3	6,610	4	6,104	4
Other officers....	3,925	2	3,830	2	2,718	1	2,534	1	1,778	1	1	1	1	1
Gen'l office clerks	26,845	15	26,837	15	26,328	14	26,583	15	24,779	14	27,584	16	25,469	16
Station agents....	30,699	17	30,049	16	29,723	16	29,014	16	28,199	16	28,019	17	26,829	16
Other sta. men....	78,633	43	74,569	41	75,919	42	73,569	41	71,150	41	76,181	44	69,511	43
Engineers.....	37,939	20	35,667	19	35,851	20	34,718	20	35,496	20	38,781	23	36,739	23
Firemen.....	38,925	21	36,735	20	36,762	20	35,516	20	36,327	21	40,359	24	37,447	23
Conductors.....	26,876	15	25,322	14	25,457	14	24,776	14	24,823	14	27,537	16	26,042	16
Other trainmen.	66,968	36	63,673	35	64,806	36	62,721	35	63,417	36	72,959	43	68,732	42
Mechanists.....	28,832	16	28,229	15	29,272	16	27,740	16	29,245	17	30,869	18	28,783	18
Carpenters.....	40,374	22	37,740	20	38,846	21	35,564	20	36,328	21	41,878	25	40,090	23
Other shopmen....	99,717	54	91,415	50	95,613	53	88,661	50	84,359	48	93,769	55	87,615	54
Section foremen..	30,771	17	30,414	17	30,372	17	29,809	17	29,690	17	29,669	18	28,783	18
Other trackmen..	184,494	100	171,752	94	169,664	93	155,145	87	150,711	85	180,154	106	171,810	106
Switchmen, flag-men and watchmen	47,124	25	43,708	24	44,236	24	43,158	24	43,219	25	46,048	27	42,892	26
Telegraph operators and dispatchers.....	22,488	12	21,452	12	21,682	12	20,984	12	22,145	13	22,619	13	20,970	13
Employees — account floating equipment.....	6,349	3	6,409	3	5,502	3	5,779	3	7,469	4	6,146	4	5,382	3
All other employees and laborers.....	98,673	53	90,725	49	88,467	49	83,355	47	85,276	48	105,450	62	98,007	60
Total.....	874,558	474	823,476	449	826,020	454	785,034	441	779,608	444	873,602	515	821,415	506

fact that they are all "general" officers. Of the general officers in 1893, 1,353 appear in their reports as "other" officers in 1894. From the fact that only average rates of compensation are given, there is no way by which the public can determine whether this change in name was followed by a change in compensation.

It appears from Table No. 17 that on June 30, 1898, there were 874,558 person in the employ of the railroads, of whom 98,673 are described as "all other employees and laborers."

Table No. 18 shows that the rates of compensation of railroad employees did not remain stationary from 1892 until 1898.

TABLE NO. 18.—Comparative Summary of Average Daily Compensation of Railway Employees for the Years Ending June 30, 1898, to 1892.

[From the Report of the Interstate Commerce Commission.]

[Average daily compensation in dollars.]

Class.	United States.						
	1898.	1897.	1896.	1895.	1894.	1893.	1892.
General officers.....	\$9 73	\$9 54	\$9 19	\$9 01	\$9 71	} \$7 84	\$7 62
Other officers.....	5 21	5 12	5 96	5 85	5 75		2 20
General office clerks.....	2 25	2 18	2 21	2 19	2 34	2 23	2 20
Station agents.....	1 73	1 73	1 73	1 74	1 75	1 83	1 81
Other station men.....	1 61	1 62	1 62	1 62	1 63	1 65	1 68
Enginemen.....	3 72	3 65	3 65	3 65	3 61	3 66	3 68
Firemen.....	2 09	2 05	2 06	2 05	2 03	2 04	2 07
Conductors.....	3 13	3 07	3 05	3 04	3 04	3 08	3 07
Other trainmen.....	1 95	1 90	1 90	1 90	1 89	1 91	1 89
Machinists.....	2 28	2 23	2 26	2 22	2 21	2 33	2 29
Carpenters.....	2 02	2 01	2 03	2 03	2 02	2 11	2 08
Other shopmen.....	1 70	1 71	1 69	1 70	1 69	1 75	1 71
Section foremen.....	1 69	1 70	1 70	1 70	1 71	1 75	1 76
Other trackmen.....	1 16	1 16	1 17	1 17	1 18	1 22	1 22
Switchmen, flagmen and watchmen.....	1 74	1 72	1 74	1 75	1 75	1 80	1 78
Telegraph operators and dispatchers.....	1 92	1 90	1 93	1 98	1 93	1 97	1 93
Employees—account floating equipment.....	1 89	1 86	1 94	1 91	1 97	1 96	2 07
All other employees and laborers.....	1 67	1 64	1 65	1 65	1 65	1 70	1 67

The following is a comparative summary of the "average daily compensation" of railway officials and employees of the United States for the years ending June 30, 1892



and 1898, compiled from Interstate Commerce Commission reports:

TABLE NO. 19.—Comparative Summary of the Average Increase and Decrease in the Daily Compensation of Railway Officials and Employees from the Year Ending June 30, 1892, to June 30, 1898.  
[Average daily compensation in dollars.]

Class.	United States.			
	1892.	1898.	Inc.	Dec.
General officers.....	7.62	9.73	2.11	.....
Other officers.....	.....	5.21	.....	.....
General office clerks.....	2.20	2.25	.05	.....
Station agents.....	1.81	1.73	.....	.08
Other station men.....	1.68	1.61	.....	.07
Enginemen.....	3.68	3.72	.04	.....
Firemen.....	2.07	2.09	.02	.....
Conductors.....	3.07	3.13	.06	.....
Other trainmen.....	1.89	1.95	.06	.....
Machinists.....	2.29	2.28	.....	.01
Carpenters.....	2.08	2.02	.....	.06
Other shopmen.....	1.71	1.70	.....	.01
Section foremen.....	1.76	1.69	.....	.07
Other trackmen.....	1.22	1.16	.....	.06
Switchmen, flagmen, and watchmen.....	1.78	1.74	.....	.04
Telegraph operators and dispatchers.....	1.93	1.92	.....	.01
Employees—account floating equipment.....	2.07	1.89	.....	.18
All other employees and laborers.....	1.67	1.67	.....	.....

It will be seen by Table No. 19 that the salaries of 4,956 general officers, were increased \$2.11 per day during the six years covered by the table. The increase amounts in the aggregate to the sum of \$10,457.16 per day, or \$3,816,863 per year. The table further shows that during the same time from 2 to 6 cents per day were added to the wages of five classes of employees having a total number of 197,553, which increase amounts in the aggregate to the sum of \$9,268.95 per day, or \$3,383,166 per year. The table also shows that during the six years there was a decrease of from 1 to 18 cents per day in the wages of ten classes of employees, having a total number of 561,451. The loss to these ten classes by reason of the decrease in wages amounts in the aggregate to the sum of \$28,142.33 per day, or \$10,271,950 per year.

For each dollar paid in increased wages to the five classes more than three dollars were taken away from the ten classes.

It must appear to any reasonable man that many classes of employees mentioned in Table No. 19 are not justly compensated for the service they perform and the risks of life and limb to which they are subjected. For the purpose of paying salaries, interest and dividends, the wages of the men upon whose vigilance and skill the safety of the public depends have year by year been cut down, until they have reached a point at which the employees and their families can barely exist; while, on the other hand, the salaries of officers and the number of officers have increased year by year, until the amount collected from the public in fares and freights for the payment of the salaries of railroad officials in the year 1898 was \$1,786, 559 more than the Government paid for the entire support of the army of the United States for the year 1897. The 3,925 "other officers" received for their services in the year 1898 the sum of \$7,463,976, which was \$1,011,776 more than all the general officers of the United States at home and abroad and all the general officers of the forty-five States and all the Territories received for the service they rendered for the public. The salaries of the 4,956 general officers of the railroads amounted to the sum of \$17,600,986 for the year 1898, which is nearly three times as much as all the general officers of the United States and all the States and Territories received for their services; while the "general" and "other" railroad officers received as salaries in the year 1898 almost four times as much as was received by all the general officers of the United States, States and Territories. Table No. 17, which gives the number of general and "other" officers, is

based on 184,648.26 miles of main line. The same proportion of officers per 100 miles of line, based on the 186,396.26 miles of main line in existence on June 30, 1898, gives 5,002 general officers, and 3,962 "other" officers, or a total of 8,964 instead of 8,881 as shown by the table. The salaries of these 83 additional officers amount to \$233,727 per year. Salaries are usually paid by the month or year, while wages are generally paid by the day, week or month. Table No. 18 shows what the salary of an officer amounts to per day, when the total amount of that salary is divided by the number of days in the year, while Table No. 20 shows that general and "other" officers received \$19,502,499 for their services during the year ending June 30, 1898.

TABLE No. 20.—Summary Showing Amount of Compensation Paid Employees for the Years Ending June 30, 1898 and 1897.  
[From the Statistical Report of the Interstate Commerce Commission.]  
[Covers over 99 per cent of number of employees for years given.]

Class.	Total Yearly Compensation— United States.	
	1898.	1897.
General officers.....	\$12,632,224	\$12,304,161
Other officers.....	6,870,275	6,687,804
General office clerks.....	19,859,404	19,368,653
Station agent.....	17,692,146	17,221,177
Other station men.....	40,237,653	38,428,242
Enginemen.....	44,307,993	40,948,169
Firemen.....	25,199,230	23,316,883
Conductors.....	26,316,465	24,500,832
Other trainmen.....	39,597,133	37,535,000
Machinists.....	19,507,896	18,442,257
Carpenters.....	23,951,246	21,971,689
Other shopmen.....	51,359,701	47,463,543
Section foremen.....	17,223,628	17,100,569
Other trackmen.....	57,303,740	54,608,065
Switchmen, flagmen and watchmen.....	26,633,630	24,410,195
Telegraph operators and dispatchers.....	14,259,057	13,579,209
Employees—account floating equipment.....	3,551,898	3,589,254
All other employees and laborers.....	48,552,299	44,725,879
Total.....	\$495,055,618	\$465,601,581

Table No. 21 makes it appear that only general officers receive a salary, and the total amount is only \$8,928,988 for the

year 1898. But the reader will also notice that while the designation "other" officers is nowhere mentioned in Table No. 21, it does appear in that table that some unnamed persons receive \$5,028,258 for superintending "maintenance of equipment" and \$13,364,803 for superintending "transportation," while the table shows that \$14,372,645 is the total amount charged up to "other expenses"; and in Note 1, at the foot of the table, it is shown that \$51,640,376 was excluded by the Interstate Commerce Commission from the report in 1898, for want of any classification, and that \$60,033,127 was excluded from the report of 1897 for the same reason. Is not the public justified in believing that a part of this \$111,673,503 collected as fares and freights from the producers of the country was "sucked up by the many parasites (officers) on corporate management" mentioned by the Interstate Commerce Commission in its report for the year 1895?

If the statement in Table No 21 as to salaries were true, even that shows that the salaries of the general officers of the railroads were in 1898 nearly one-half more than the salaries of all the general officers of the United States, States and Territories. But Table No. 21 is not true as to salaries of officers, in that it does not give the full amount under that head received by officers of the roads. Poor's Manual of Railways for 1897 gives the names of many superintendents as follows: "Atchison, Topeka & Santa Fé Ry.—General Superintendent, H. U. Mudge; Superintendent of Car Service, C. W. Kouns; Superintendent of Machinery, John Player. Cincinnati, Hamilton & Dayton Ry.—General Superintendent, R. B. Turner; Superintendent of Tracks and Structures, I. F. White; Superintendent of Car Service, G. H. Wade; Superintendent of Motive Power, Chas. W.

TABLE NO. 21.—Summary Showing Classification of Operating Expenses of Railways in the United States for the Years Ending June 30, 1898 and 1897.

[From the Statistical Report of the Interstate Commerce Commission.]

Item.	Amount.	
	1898.	1897.
<b>Maintenance of way and structures:</b>		
1. Repairs of roadway.....	\$81,560,442	\$73,711,471
2. Renewals of rails.....	10,662,483	10,703,304
3. Renewals of ties.....	24,769,684	23,245,161
4. Repairs and renewals of bridges and culverts.....	19,254,274	17,122,918
5. Repairs and renewals of fences, road crossings, signs and cattle-guards.....	4,114,051	3,523,114
6. Repairs and renewals of buildings and fixtures.....	14,995,363	12,085,595
7. Repairs and renewals of docks and wharves.....	1,875,105	1,601,535
8. Repairs and renewals of telegraph.....	1,047,994	869,582
9. Stationery and printing.....	189,463	164,330
10. Other expenses.....	2,676,038	2,204,632
<b>Total.....</b>	<b>\$161,144,897</b>	<b>\$145,231,642</b>
<b>Maintenance of equipment:</b>		
11. Superintendence.....	\$ 5,028,258	\$ 4,619,268
12. Repairs and renewals of locomotives.....	45,119,953	39,214,355
13. Repairs and renewals of passenger cars.....	16,760,825	15,683,740
14. Repairs and renewals of freight cars.....	55,248,327	44,155,087
15. Repairs and renewals of work cars.....	1,219,280	971,618
16. Repairs and renewals of marine equipment.....	1,851,068	1,490,298
17. Repairs and renewals of shop machinery and tools.....	3,725,303	3,309,167
18. Stationery and printing.....	292,400	287,871
19. Other expenses.....	3,781,024	3,525,836
<b>Total.....</b>	<b>\$133,026,438</b>	<b>\$113,237,240</b>
<b>Conducting transportation:</b>		
20. Superintendence.....	\$13,364,803	\$12,778,858
21. Engine and round-house men.....	73,911,784	68,711,143
22. Fuel for locomotives.....	72,469,777	65,044,670
23. Water supply for locomotives.....	4,951,282	4,688,124
24. Oil, tallow and waste for locomotives.....	2,722,872	2,592,534
25. Other supplies for locomotives.....	1,195,523	1,105,061
26. Train service.....	58,700,791	52,555,199
27. Train supplies and expenses.....	11,689,257	10,441,780
28. Switchmen, flagmen and watchmen.....	31,267,666	28,880,711
29. Telegraph expenses.....	14,611,825	13,851,184
30. Station service.....	59,452,331	55,413,774
31. Station supplies.....	5,305,247	5,198,478
32. Switching charges—balance.....	2,539,749	2,267,000
33. Car mileage—balance.....	16,145,571	15,258,699
34. Hire of equipment—balance.....	2,619,239	1,723,100
35. Loss and damage.....	5,409,544	4,793,143
36. Injuries to persons.....	6,724,559	6,049,889
37. Clearing wrecks.....	1,001,217	848,758
38. Operating marine equipment.....	7,345,044	6,646,720
39. Advertising.....	3,198,154	2,962,598

TABLE NO. 21—Continued.

Item.	Amount.	
	1898.	1897.
<b>Conducting transportation—Continued:</b>		
40. Outside agencies.....	\$13,502,838	\$11,958,882
41. Commissions.....	1,386,477	1,094,884
42. Stock-yards and elevators.....	1,189,970	971,439
43. Rents for tracks, yards and terminals.....	14,663,313	13,521,156
44. Rents of buildings and other property.....	3,639,646	3,487,550
45. Stationery and printing.....	4,464,353	4,380,121
46. Other expenses.....	4,778,516	4,064,786
<b>Total.....</b>	<b>\$438,299,542</b>	<b>\$401,088,241</b>
<b>General expenses:</b>		
47. Salaries of general officers.....	\$ 8,928,988	\$8,553,216
48. Salaries of clerks and attendants.....	10,218,476	9,472,325
49. General office expenses and supplies.....	2,183,127	2,081,637
50. Insurance.....	3,030,150	3,020,326
51. Law expenses.....	5,019,167	5,478,930
52. Stationery and printing (general offices).....	1,345,348	1,127,556
53. Other expenses.....	3,136,767	3,200,524
<b>Total.....</b>	<b>\$33,862,023</b>	<b>\$32,934,514</b>
<b>Recapitulation of expenses:</b>		
54. Maintenance of way and structures.....	\$161,144,897	\$145,231,642
55. Maintenance of equipment.....	133,026,438	113,237,240
56. Conducting transportation.....	438,299,542	401,088,241
57. General expenses.....	33,862,023	32,934,514
<b>Grand total.....</b>	<b>*\$766,332,900</b>	<b>†\$692,491,637</b>

\*Excludes \$51,640,376 unclassified.

†Excludes \$60,033,127 unclassified.

Cory. Erie R. R. Co.—General Superintendent, C. R. Fitch; Superintendent of Transportation, G. Van Keuren; Superintendent of Motive Power, A. E. Mitchell; Superintendent of Telegraphy, W. J. Holmes.” And so in nearly all of the 836 different lines of railroad mentioned in the “Directory of Railway Officials,” this attempt to cover up salaries under the designation of “superintendence” is done “with intent to deceive.” No reasonable person will say that railroads can be constructed and operated without officers, but when the number of officers becomes an unbearable burden upon the people by reason of the large sums of money extorted

from them to pay officials' salaries, the questions naturally arise: Are there not too many railroad officers? and, Do they not pay themselves more than their services are worth? Every one knows that the people pay the salaries of railroad officials, just as they pay the salaries of county, State, and United States officials. Railroad companies can have but one legitimate way of earning money, and that is by operating the roads in the carriage of passengers, freight, mails, express matter, etc. The public pays the fares and freights, and the people have the right to make objection to unreasonable rates and to the payment of unreasonable salaries to railroad officials.

The reader will understand that figures given in all these tables which are taken from the reports of the Interstate Commerce Commission are based on the reports furnished to the Commission by the railroads, and that the Commission is not answerable for the obvious contradictions therein.

After furnishing the reports from which Tables Nos. 17, 18 and 20 are made up, for the purpose of making it appear that the roads paid in 1898 to officers and employees the total amount of \$495,055,618, which sum covers every expense for personal service that any officer or employee named in Tables Nos. 17, 18 and 20 could perform, the corporations again rehash compensation to employees and officers under such heads in Table No. 21, as "Repairs of Roadway," "Superintendence," "Engine and Round-house Men," "Train Service," "Switchmen, Flagmen and Watchmen," etc. Having accounted for the \$495,055,618 in Tables Nos. 17, 18 and 20, they should go on in Table No. 21, and account for the other \$322,917,658 of the \$817,973,276 operating expenses, by giving the prices of rolling stock and all

kinds of materials and supplies bought by the roads. Such a report would present to the people information of a practical kind. Not a word is said about the present value of the roads, nor of the amount of money honestly expended in their construction. The public has known for a great many years that the roads are stocked and bonded for about three times as much as they are worth, and for more than twice as much as they cost. If these reports contained a true statement of the different items entering into the cost of construction, the cost of issuing them would not be thrown away. The reports should give the date of construction of each road, the cost of the right of way and of the lands used for terminal and other purposes, the number of cubic yards of earth- and rock-excavations, the cubic yards of earth in embankments and the cost of making them in grading the road, the number and length of bridges and trestles, the cost of all kinds of materials, etc.

Not a word is said about the number of passes that were given to United States, State, county and city officials for the year ending June 30, 1898. Nothing is said about the amount of money that has been paid back in the way of rebates to favored shippers, and falsely charged up to "operating expenses." Nowhere in the reports do we find a statement of the amount paid to the president of any railroad; average salaries are given, and all the changes are rung on the averages. The law should require the exact salary paid to each class of officers to be given in dollars and cents, in the same public manner that the salaries of United States, State and county officers are published, and that the reports be filled with statistics that will entertain and instruct the people. There should be a radical change of matter in these reports.



**Table No. 22.**—Salaries of Officers of the United States, States and Territories, 1898, and of Railroad Officials.

1	President of the United States at \$50,000.....	\$	50,000
1	Vice-President at \$8,000.....		8,000
8	Members of the President's Cabinet at \$8,000 each....		64,000
9	Justices of the United States Supreme Court, 8 at \$10,000, 1 at \$10,500.....		90,500
22	Judges of the United States Circuit Court at \$6,000 each.....		132,000
68	Judges of the United States District Court at \$5,000 each.....		340,000
5	Judges of the United States Court of Claims at \$4,500 each.....		22,500
30	United States Embassadors and Ministers Plenipotentiary at from \$5,000 to \$17,500 each.....		306,500
90	United States Senators at \$5,000 each.....		450,000
357	Members of Congress 356 at \$5,000 each, 1 at \$8,000..		1,788,000
8	Major-Generals of the United States Army at \$7,500 each.....		60,000
5	Rear Admirals of the United States Navy at \$6,000 each.....		30,000
105	Assistant Secretaries, Heads of Departments, Bureaus and Divisions at Washington, at from \$3,000 to \$7,000 each.....		443,450
3	Civil Service Commissioners at \$3,500 each.....		10,500
1	Commissioner of Labor.....		5,000
5	Interstate Commerce Commissioners at \$7,500 each...		37,500
72	United States District Attorneys at \$4,500 each.....		324,000
72	United States Marshals at \$4,000 each.....		288,000
4	United States District Judges at \$3,000 each.....		12,000
324	Administrative officers of 45 States and 4 Territories, to-wit: Governors, Lieutenant-Governors, Secretaries of State, State Treasurers, State Auditors, Attorney-Generals, Superintendents of Public Instruction, Surveyor-Generals, etc., at from \$400 to \$10,000 each.....		850,000
255	Supreme Court Judges of 45 States and 4 Territories at from \$2,000 to \$12,000 each.....		1,140,250
1,445	Total.....	\$6,452,200	
	Salaries of officers of railroads in the United States in the year 1898:		
3,925	"Other officers" at \$5.21 per day.....per year,	\$7,463,976	
4,956	"General officers" at \$9.73 per day.....per year,	17,600,986	
8,881	Total for all railroad officers.....per year,	\$25,064,962	
	Appropriation by Congress for the support of the <i>Army of the United States</i> in the year 1897.....	\$23,278,403	

In Table No. 22 will be found a list of nearly all the general officers of the United States, States and Territories, and their individual or aggregate salaries. It is not claimed that the list is complete as to all general officers, but it is sufficiently so for the purpose for which it is intended. When there are a large number in a class, to give each one's name and the amount of salary received by him would require too much time and space. Under the designation "105 assistant secretaries," etc., are included such United States officers as "Assistant Secretary in each Department of Government," "Superintendent of Coast Survey," "Director of the Mint," "Treasurer of the United States," "Surgeon-General" and "Paymaster General" of the United States Army, "Commissioner of Internal Revenue," "Commissioner of the Land Office," etc., all of which positions are equally as important and require as much ability in the incumbent as any position that is filled by any railroad official in the United States. The table is intended to show the startling disparity between the amount of money paid by the people to the officers of the Government for their services, and the amount that the railroad officials collect from the people and pay to themselves for their services. In 1897 Congress appropriated for the support of the Army the sum of \$23,278,403. Tables Nos. 17 and 18 show that the pay of the "general" and "other" railroad officers for 1898 amounted to the sum of \$25,064,962, or \$1,786,559 more than it cost the people to support the Army of the United States for the year 1897; and if the future may be judged by the past, it is safe to say that the number of "general" and "other" railroad "officials" will still continue to increase, if the people do not interfere,

In their indictment of the British king, the patriots of 1776 say as follows in their Declaration of Independence:

He has made judges dependent on his will alone, for the tenure of their offices. He has erected a multitude of new offices, and sent hither swarms of officers to harass our people and eat out their substance. . . . For imposing taxes on us without our consent; for cutting off our trade with all parts of the world.

In many of the States the corporations not only elect the judges, but make their reelection dependent upon their rulings being favorable to the railroads. A candidate for a position on the Federal bench is never appointed if opposed by the corporations. Table No. 17 shows that the railroad corporations have created nearly three and a half times as many "general officers" as have been created by the United States and all the State and Territorial Governments, as shown in Table No. 22. The substance of the American producers is eaten up by the enormous salaries of this swarm of modern locusts called "general railroad officers." It is not now, nor ever will be, known how much of the hundreds of millions of dollars that are accounted for as operating expenses of the railroads is annually paid out by the corporations as salaries to "general officers." Rates fixed by the corporations to be paid by the people for the use of a railroad, a public highway, are taxes. Whenever a State authorizes or permits a railroad corporation to arbitrarily fix and collect taxes in the way of fares and freights on a public highway, the person who pays such fare or freight is by the State "deprived of his property without due process of law."

The right of taxation is the highest prerogative of sovereignty. Its exercise is necessary to the very life and existence of the State. Its possession marks, regardless of the nominal form of government, the real nature of the government, whether republican, monarchical

or autocratic. It is the power of the purse, to which the power of the sword is a mere sequence. It seems anomalous, therefore, that such a power should be capable of alienation in perpetuity by the legislature of a free State, and that any portion of it could be irrevocably bargained away for any consideration to a corporation or anyone else.

So says Mr. Justice Clark, in *Wilmington, etc., R. Co. vs. Alsbrook*, 110 N. C. 137.

Regardless of what any railroad charter may contain, the right to tax the people by fixing rates on public highways remains with the State. It is a right of which the State, under a republican form of government, cannot divest itself. The right is inalienable, and cannot be lost by nonuser. Former legislatures have attempted to bargain away to the corporations the right of the State to fix the rates for transportation on the railroads, but all acts and contracts for that purpose are in direct violation of Section 4, Article IV. of the Constitution of the United States, which provides that "the United States shall guarantee to every State in the Union a republican form of government." The corporations have cut off, or, rather, prevented, the trade between the States, and between this country and the other parts of the world, on many of the products of the farms, by fixing rates so high as to prevent any return to the producers after paying freights and other shipping expenses.

Table No. 23 gives the per cent of operating expenses to total earnings on all the railroad mileage in the world, and shows that in only four countries—Denmark, Norway, the Dominion of Canada, and Algeria—are the operating expenses as high as in the United States. There were in 1897, in Denmark, 1,409 miles of railway; in Norway, 1,072 miles of railway; in the Dominion of Canada, 16,535 miles of railway; and in Algeria there were 2,700 miles of railway.

Thus of the 434,365 miles of railroad in the world in 1897, on only 21,716 miles were the operating expenses as great as in the United States.

Table No. 23 shows that in 1894 the operating expenses of the 159,824 miles of railroad in all Europe were 54 per cent of the income from operation, while they were 70 per cent in the United States. It is true that the laborer is paid higher wages in the United States than he is paid in Europe; but, on the other hand, the number of railroad employees per mile of road is very much larger in Europe than in the United States. It is the opinion of experienced railroad men that by getting rid of the *parasites* on railroad management, mentioned by the Interstate Commerce Commission, and quoted in Chapter V., abolishing taxation on railroads, (see Chapter VII.), thereby getting rid of a large number of railroad officials and others employed in the tax department of railroads, preventing the use of railroad funds in National and State elections, abolishing all passes, and restricting the salaries of the necessary railroad officials to about the amount paid to State officials, the operating expenses of the railroads in the United States can easily be reduced to 55 per cent of the gross income from operation, and at the same time pay many classes of railroad employees better wages than they now get.

While Table No. 16 makes it appear that the average operating expenses amount to but 67.10 per cent of the gross earnings for the five years ending June 30, 1898, it is done by calling taxes fixed charges and not including them in the expenses of operation. It is claimed by all the railroad authorities that the average cost of operating the roads is 70 per cent of the gross earnings.

By reducing the operating expenses to 55 per cent of

gross earnings in 1898, the people could have paid 5 per cent on the full present value of the roads, \$3,954,596,470, and had \$363,566,707 left to the producers; or could have paid 6 per cent interest on the full value of the roads, and have had \$324,020,732 left for the purpose of paying off mortgages.

**TABLE NO. 23.—Showing Percentage of Working Expenses to Gross Receipts and Percentage of Interest Paid on Capital Invested in Various Countries.**

[From the Report of the Interstate Commerce Commission, 1894.]

Country.	Percentage of Working Exp'nses	Interest on Capital.	Country.	Percentage of Working Exp'nses	Interest on Capital.
	<i>Per cent.</i>	<i>Per cent.</i>		<i>Per cent.</i>	<i>Per cent.</i>
United Kingdom.....	52	4.1	Switzerland.....	53	4.1
France.....	52	3.8	Roumania, etc.....	60	2.7
Germany.....	54	5.1	Europe.....	54	3.7
Russia.....	57	5.3	United States.....	70	3.1
Austria.....	56	3.1	Canada.....	70	1.7
Italy.....	65	2.5	Spanish America....	67	1.6
Spain.....	44	4.4	Japan.....	43	3.1
Portugal.....	43	3.3	India.....	50	5.2
Sweden.....	62	2.9	Australia.....	63	3.3
Norway.....	70	1.8	South Africa.....	52	4.3
Denmark.....	86	1.2	Algeria.....	70	1.6
Holland.....	54	2.9	Egypt.....	46	4.1
Belgium.....	52	4.6	The World.....	62	3.2

## CHAPTER VI.

Over-issue of stocks and bonds.—How money is raised for the construction of roads.—Bonds issued are generally in excess of the value of the road.—Stocks generally represent no item of the cost of construction.—Aggregate capitalization of railroads in the United States.—Face value of the bonds alone exceeds the value of all the roads by more than \$2,000,000,000.—Total value of all the roads a little more than one-third of the face value of the stocks and bonds issued on them.—Statement of the Interstate Commerce Commission as to over-issue of stocks and bonds.—Instances of over-issue of stocks and bonds in all parts of the United States.

Railroads are usually constructed through the following means: A few persons, from five to ten in number, who as a general rule are not capitalists, but are what are known as "promoters," associate themselves for the purpose of forming a corporation and obtaining a "charter" for the construction of a railroad between certain points or through certain territory, or for construction, of roads generally. Having selected a general route, by borrowing or otherwise they raise money enough to pay the expenses of making preliminary surveys over two or more slightly different lines between the terminal points of the proposed road. The people living along the alternate lines at once become interested in having the road located near their farms and towns, and many of them offer to give the company a right of way through their lands, as well as to make liberal donations of money, provided the road is permanently located on a specified line. The road is usually located, other advantages being *about equal*, on that one of the alternate lines which offers

the largest donations. Liberal donations having been subscribed by the people, the promoters—who are the stockholders and officers of the company—have no difficulty in raising money enough, by collecting the donations or securing loans on them, to build the first section of a few miles in length of the road, which they at once bond for much more than the cost of the completed section. It is usually at this point of time in the construction of the road that the capitalist makes his appearance, and, after satisfying himself that the interest provided for in the bonds, which is usually from 4 to 7 per cent, will be paid when due, takes them at a liberal discount from their face value. The proceeds of the first bond sale are usually more than sufficient to pay the cost of construction of the finished section, and to construct another short section of the line; after which another sale of bonds takes place,—and so on, as often as an additional section is finished, until the entire line is completed, at which time the road has generally been bonded for more than it cost to construct and equip it. Everything has been paid for, and in nine cases out of ten not one cent of the money that was expended in constructing and equipping the road came from the pockets of the stockholders, who have in the meantime drawn enormous salaries as officers of the company. If, as under the laws of some of the States the stockholders are required to do, they have paid into the treasury of the company a certain per cent on their stock subscriptions, the money remains in the treasury, and out of it their first annual dividend will probably be declared and paid. The face value of the stock issued per mile of road is on the average about the same as the face value of the bonds that have been issued. It happens in about one corporation in ten, that the stockholders are possessed of



sufficient means to enable them to construct and equip the road without at first bonding it to the full amount of the money expended. In such case, of course, the stock they hold would represent a portion of the cost of construction; but on almost every road the face value of the bonds finally issued is greater than the actual cost of the road, and when that is the case, of course the stock represents no item of the expense of construction and equipment. In such case the stock is issued by the promoters of the road to themselves or to others without the payment of any consideration that benefits the public in any manner, and such stock is not entitled to earn dividends that must be paid by the public. The bondholders are satisfied with the interest that the bonds bear, else they would not have bought them. In no case should the stock be allowed to earn dividends when the bonds issued equal the value of the road. It should not be forgotten that the railways are public highways, constructed by the exercise of the highest power of sovereignty, the power of eminent domain.

Table No. 5 shows that on the mileage represented therein the corporations have issued \$5,311,149,751 of capital stock and \$5,509,516,375 of bonds, making a total capitalization of \$10,820,666,126, or \$63,628 per mile in stocks and bonds, on the 170,060 miles of road represented in the table. The average of \$63,628 per mile, when applied to the 186,396 miles of main line of road in operation on June 30, 1898, gives an aggregate capitalization of \$11,860,004,688 in stocks and bonds, which is \$7,905,408,218 more than the total value of all the roads on June 30, 1898, as shown by Table No. 15. Table No. 5 shows that the bonds alone, issued on the 170,060 miles represented therein, are of a face value of \$32,397 per mile and amount to \$1,554,919,905

more than the total value of all the roads in the United States on June 30, 1898. This average of \$32,397 of bonds per mile, when applied to the 186,396 miles of main line as shown in Table No. 3, gives a total of \$6,038,671,212 of bonds, which is \$2,084,074,742 more of bonds alone than the value of the 247,532 miles of road on June 30, 1898, as shown in Table No. 15. It will be noticed that in no instance where the amount of stocks and bonds is given is the entire mileage, as shown in Table No. 3, given, and for that reason the public does not get a report of all stocks and bonds issued by the railroad companies; hence the only way in which the public can arrive at a knowledge of the amount of stocks and bonds issued by the railroads of the United States is by a law requiring such information to be furnished by each and every road, to the State and Interstate Railroad Commissions, and fixing a heavy fine and imprisonment as the penalty for failing to strictly comply with the law. A vast proportion of all the railroad stocks now on the market were issued and sold by the corporations for a small per cent of their face value.

The above figures do not include the current liabilities nor floating debts, which aggregated \$535,239,262 on June 30, 1898, and are alleged to be a part of the cost of construction; nor do they include the \$1,404,130,581 of stocks issued by the "Joint Traffic Association," organized in 1896. (See World Almanac for 1898, p. 126.) A part of the \$51,640,376 excluded from the return of operating expenses for 1898, by the Interstate Commerce Commission, for want of classification (see Table 20), probably went to pay dividends on this "Joint Traffic Association" stock. The writer is unable to ascertain whether or not the "Passenger Association" and "Freight Association" have issued stock. These asso-

ciations are probably some of the "parasites" mentioned by the Interstate Commerce Commission.

Mr. Robert P. Porter, Superintendent of the Eleventh Census, in a recent article in the *Conservative* says:

The value of farm property and products in the year 1890 was \$15,982,267,689. The value of our railroads was in the neighborhood of \$12,000,000,000.

Mr. Porter is a statistician, and knows that the value of all "our" railroads in 1890 was not even one-third of \$12,000,000,000, and his article was probably written for the purpose of squaring himself with the corporations for permitting the statement cited in the first page of this book to appear in the census of 1890. That he has succeeded in mollifying the corporations is evidenced by the fact that he is now the special American commissioner to Cuba. "Virtue is its own reward!"

A careful examination of the statistics contained in the foregoing pages will convince an unprejudiced reader that the present value of all the railroads in the United States is but a little more than one-third of the face value of the stocks and bonds that have been placed upon the market by the railroad companies, and that the original cost of all the roads was not one-half the amount of the present face value of the railroad stocks and bonds, upon some of which the corporations are at the present time earning more than 10 per cent interest and 10 per cent dividends. Since railroads stand between the producer and his market, land and agricultural products decrease in value in the same proportion that the value of railroads is increased, in order to give them the right to greater earnings, which the products of the land must pay.

*The Report of the Texas Railroad Commission* shows

that, so far as Texas is concerned, the railroads have been stocked and bonded for almost three times the amount of their present value, and it is certain that a careful and just valuation of the roads in all the other States will show the same disparity in the amount of stocks and bonds issued and the value of the roads as is shown in Texas. It is certain that the present value of all the railroads in the United States does not exceed the sum of \$3,954,596,470, as set forth in Table No. 15, and yet the companies have continued year after year in trying to earn dividends and interest on stocks and bonds of a face value of more than \$10,000,000,000. During the five years beginning with July 1, 1893, and ending with June 30, 1898, as shown in Table No. 16, the collections from the operations of the roads amounted to the sum of \$5,668,318,029, an average of \$1,133,663,605 per year; and this vast sum was collected by the corporations from the people without in any manner being accountable to them as to the disposition made of it. During these five years the total net income from the operation of the roads amounted to the sum of \$1,867,696,208, an average of \$373,539,241 per year, which is 5 per cent interest not only on the sum of \$3,954,596,470, the total value of all the roads, but it is also 5 per cent interest on the further sum of \$3,516,188,350. Many people remember the loud complaints that were raised in 1880 when it was announced by the Treasury Department that the public debt of the United States had reached the sum of \$2,773,236,173. In those days farmers called their taxes "rents paid to the Government," and although it was known that the Government had been defrauded of many millions of dollars through the fraudulent letting of contracts and the purchase of inferior and worthless supplies of all kinds, and by the payment of two

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or three times the market value for serviceable supplies for the Army, yet the people had borrowed and used the money and contracted the debts for the payment of which the bonds were issued and sold, and they felt that however heavy the burden, it was one of their own making, and that justice required that full payment be made. But in the matter of railroad stocks and bonds the case is entirely different. Neither the people nor their agents took any part in the creation of these fraudulent evidences of ownership and debt. From the earliest days of railroad construction in this country, the people have objected to and opposed the fraudulent over-issue of railroad stocks and bonds, on the ground that it tended to increase the rates of fares and freights, but have been answered to the effect that the issue of stocks and bonds is a private matter between the corporations and other persons, in the transaction of private business which in no way concerned the public. The public not having been in any manner a party to the over-issue of railroad stocks and bonds, and the money received for them not having been expended under public direction or control, the public is in no way bound by them; and no honest public servant, whether in the executive, legislative or judicial branch of the Government, will attempt to render valid as against the people these false, netitious and fraudulent evidences of ownership and debt. The owners of this over-issue of stocks and bonds have no right to complain if they fail to get their money back or to get interest and dividends thereon. In their case the doctrine of *caveat emptor* applies: they should have made due inquiry before buying. Nor would the public have a right to complain in the matter, were it not for the fact that the corporations fix exorbitant

rates in trying to earn dividends and interest on these over-issues of stocks and bonds.

Upon the subject of fixing rates so as to meet the dividends and interest on capitalization, I will here quote from pages 73 and 74 of the Report of the Interstate Commerce Commission for 1896:

*Financial Condition of the Carrier as an Element in Cases of Unreasonable Rates.*

In the above-mentioned case relating to cotton rates from Indian Territory points to St. Louis, facts indicating an embarrassed financial condition of the defendant carrier were among those considered by the Commission in determining the reasonableness of the rates in question. The Commission said:

"We do not overlook the financial embarrassment of the company, resulting from the demands upon its earnings to meet an investment or capitalization aggregating \$79,547 per mile. In view of the fact that the road runs through a comparatively level country and could have been built at moderate cost, the presumption is great that some of this money was improvidently spent or misapplied. But it remains an incumbrance and burden upon the road, though the financial condition of the company is much improved since the years previous to 1892, when its rates and charges were lower; its straitened financial necessities should not be made to bear unequally upon the cotton traffic. The financial necessities and conditions of the road should, like other facts be given 'proper weight.' We have held that 'the reasonable rate should be liberal until earnings are sufficiently large for a fair return on the actual expenditure.' (Newland v. The Northern Pacific Railroad Company *et al.*, 6 I. C. C. Rep., p. 131.)

"While the demands upon the road and its earnings must be considered and receive due weight, they are not controlling to the extent that, independent of all other circumstances, rates are never unreasonable until the earnings are sufficient to operate the road and meet all the obligations of the company. The absurdity of such a rule is apparent in the facts. The Missouri, Kansas & Texas Railway, defendant, and the Chicago, Rock Island & Pacific Railway are both carriers from and to the Indian Territory. For like distances

their rates must necessarily be nearly the same to be reasonable. But the obligations of the defendant are \$79,547 per mile, while the obligations of the Chicago, Rock Island & Pacific Railway are \$36,483, or less than half as much per mile. The stated obligations of the carriers between St. Louis and Texas, and St. Louis and the Indian Territory, vary all the way from less than \$13,000 to more than \$103,000 per mile. As stated in their reports, the obligations to be met by earnings are eight times as great on some as upon others, and the impracticability of adjusting reasonable rates on the basis of the bonds and stocks issued or on capitalization is apparent."

Why should the financial necessities of a company that has stolen or misapplied the money alleged to have been spent in the construction of its road be taken into consideration by the Interstate Commerce Commission when fixing rates, especially, as in this case, where the Commission knows the money was stolen or misapplied?

It appears from the above quotation that the capitalization of the different roads running practically through the same country and being of about the same length varies from \$13,000 to \$103,000 per mile; \$13,000 per mile, if it covers the cost of construction and equipment, is a very moderate cost for a standard-gauge road. Yet a road of that length, if built the greater part of the way over level country, with medium-weight rail, few and short bridges, without expensive terminal facilities, and with a moderate amount of rolling stock, might be constructed and equipped for \$13,000 per mile. (See Fort Worth & Denver City, San Antonio & Aransas Pass, and other roads, in Table No. 8.) On the other hand, it is impossible that one-fourth of \$103,000 per mile could have been honestly expended in the construction and equipment of any road running from the State of Texas to St. Louis, Missouri. It will be noticed that concerning the line capitalized at \$79,547 per mile, the Com-

mission says: "The presumption is great that some of this money was improvidently spent or misapplied" (stolen). The extract is cited for the purpose of calling attention to the following sentence therein: "We have held that 'the reasonable rate should be liberal until earnings are sufficiently large for a fair return on the actual expenditure.'" Now the actual expenditure is the amount that was actually paid out or agreed to be paid in the construction and equipment of the road, whether honestly or otherwise. This decision of the Interstate Commerce Commission says in effect, that if the road happens to be a portion of the 2,449 miles constructed in 1867, when pig iron was worth \$44.12 per ton, bar iron \$87.08 per ton, iron rails \$83.13 per ton, steel rails \$166 per ton, locomotives \$18,000 each, and freight cars \$1,000 each, then, so far as the people who live along this particular line of road are concerned, pig iron, bar iron, iron rails, steel rails, locomotives and cars will always remain at the prices of 1867. It can't mean anything else. It means that while the farmer's land, for which he paid \$100 per acre on this line of road in 1867, has fallen in value to \$40 per acre in 1898, the property of the corporations remains at a fixed and permanent value, no matter how much like property may have decreased in value in the markets of the country. It means that iron and steel rails, locomotives and cars, which were worn out in earning enormous profits, and cast aside years ago and replaced with better rails, locomotives and cars at less than one-quarter of the cost of the original, are still worth the amount paid for them in 1867. It means that while the machinery of the manufacturer, the miner, the steanboatman, the lumberman, and of all who bought and used machinery in 1867, has been worn out and cast aside for new and improved machinery, and thus become of no



value except as old iron, the crude machinery, equipments and supplies owned by the railroads in 1867 or since that time, and now worn out and sold as old iron, can never lose the original cost nor the fictitious value placed upon them by the corporations. So says the Interstate Commerce Commission.

If the people in each State act promptly in the matter, and at once proceed to fix the present value of all the railroads in the State, and the per cent of interest that may be earned on the actual value so found, the question of what will become of the over-issues of stocks and bonds will speedily be answered by at once giving to the fictitious capitalization its true value. The bonds first issued to the amount of the value of the roads will be worth as much, or more than they are now selling at; all other bonds and the stocks will at once go below the small per cent of their face value at which they were originally sold by the corporations. The only sufferers will be the stock-gamblers. The producers, who have so long paid the extortionate fares and freights, fixed to earn interest and dividends on these fictitious evidences of debt, will be benefited.

Tables Nos. 10, 11, 12, 13 and 14 each represents the highest average prices in honest dealing for land, labor, rolling stock, materials of all kinds used, and all incidental expenses incurred in the construction of railroads during the period of time covered by the table, which fact the reader can verify by examining the statistics herewith published or referred to.

At the end of 1860, the 30,626 miles of main line and 7,044 miles of second, third, fourth, yard and side track, if honestly constructed, did not cost more than \$668,249,614, or, based on the 30,626 miles of main line, \$21,819 per mile;

yet Mulhall tells us that, even at that early day, the railroads were stocked and bonded for \$39,000 per mile of main line.

At the end of the year 1870, after the high prices caused by the Civil War were past, the 52,922 miles of main line and 12,172 miles of second, third, fourth, yard and side track, if honestly constructed, did not cost more than \$1,448,601,346, or, based on the 52,922 miles of main line, \$27,372.38 per mile. Mulhall says that in 1871 the railroads were stocked and bonded for \$46,500 per mile of main line.

At the end of 1880 the 93,296 miles of main line and 21,458 miles of second, third, fourth, yard and side track, if honestly constructed, did not cost more than \$2,647,709,500, or, on a basis of 93,296 miles of main line, \$28,379.66 per mile; yet Table No. 4 shows that in 1880, 92,147 miles of main line were stocked and bonded for \$56,864 + per mile.

At the end of 1890 the 166,682 miles of main line and 41,926 miles of second, third, fourth, yard and side track, if honestly constructed, did not cost more than \$4,592,016,343, or, based on 166,682 miles of main line, \$27,549.56 per mile. Table No. 4 shows that in 1890, 163,359 miles of main line were stocked and bonded for \$59,052 + per mile.

On the 30th day of June, 1898, the 186,396 miles of main line and 61,136 miles of second, third, fourth, yard and side track, if constructed with any considerable degree of honesty, could not have cost more than \$5,185,735,203 +, or, based on 186,396 miles of main line, \$27,821 + per mile. Table No. 5 shows that on the 30th day of June, 1898, 170,060 miles of main line were stocked and bonded for \$63,628 + per mile.

Certain politicians and campaign orators, in the employ of corporations, have the hardihood to misrepresent the

facts concerning the over-issue of stocks and bonds by the railroad companies. The man whose corn needs plowing, or whose wheat is getting over-ripe, has little time to spend in the study of statistics. The following statement of the over-issue of stocks and bonds by the different railroad companies in the United States is absolutely correct as taken from the *Statistics of Railways of the United States*, published by the Interstate Commerce Commission, for the year ending June 30, 1897, for gratuitous distribution among the people. The mileage herein given will be found in that report, between pages 118 and 253, inclusive. The amount of stocks and bonds issued and outstanding, per mile, will be found in the same report, between pages 258 and 325, inclusive, where the total capitalization as well as the amount per mile is given. Any person can get the "Annual Report of the Interstate Commerce Commission" as well as the "Statistics of Railways of the United States," both published annually by the Interstate Commerce Commission, by simply writing to his member of Congress or United States senator; being public documents, there is no postage to be paid by the person who receives them. These reports are as favorable as possible to the corporations, for the reason that the railroad companies furnish the alleged facts upon which they are founded.

The following are a few of the many instances that might be cited of excessive over-issue of stocks and bonds by the railroad companies in the different sections of the United States:

*Group I.*—Boston & Maine Railroad Co. Length of line, 370.08 miles. Stocked and bonded for \$117,181 per mile.

Boston & Lowell Railroad Co. Length of line, 96.95 miles. Stocked and bonded for \$132,925 per mile.

New York, New Haven & Hartford Railroad Co. Length of line, 325.81 miles. Stocked and bonded for \$159,947 per mile.

*Group II.*—Morris & Essex Railroad Co. Length of line, 119.78 miles. Stocked and bonded for \$331,809 per mile.

Erie Railroad Co. Length of line, 792.09 miles. Stocked and bonded for \$226,297 per mile.

New York Central & Hudson River Railroad Co. Length of line, 819.45 miles. Stocked and bonded for \$207,917 per mile. Senator Chauncey M. Depew is chairman of the Board of Directors of this and the two following roads.

New York & Harlem Railroad Co. Length of line, 135.90 miles. Stocked and bonded for \$161,884 per mile. On April 1, 1873, this road was leased to the New York Central for 401 years at an annual rental of \$1,640,000, that sum being the annual dividends and interest on the stocks and bonds of the road, which for the term of the lease will amount to the sum of \$657,640,000.

West Shore Railroad Co. Length of line, 495.20 miles. Stocked and bonded for \$121,163 per mile. Leased to the New York Central on January 1, 1886, for the term of 475 years at a yearly rental of \$2,000,000 a year, which for the term will amount to the snug sum of \$950,000,000. The lessee has the option for a further term of 500 years from the expiration of the present term at the same rental—\$1,000,000,000 more for the stock- and bond-holders, who are fortunate in having so able a financier as Senator Depew for “chairman of the Board.”

The New York Central system has a total mileage of 2,635.21 miles, which mileage includes all lines owned and

all lines leased by the company. This total mileage is stocked and bonded for \$322,768,654, an average of \$122,483 per mile for the entire system. (See page 271, Statistics of Railways in the United States, 1897.)

It must be very gratifying to the Vanderbilts to see their faithful servant elevated to a seat in the United States Senate. The financial ability of that august body will be vastly increased by the membership of Mr. Depew, and he will doubtless be able to serve his company's interests as well in Washington as in the general offices at Albany, New York. Senator Depew will be an able adviser of either a Republican or Democratic President, in the matter of the appointment of Federal judges.

Pennsylvania Railroad Co. Length of line, 532.71 miles. Stocked and bonded for \$405,551 per mile.

*Group III.*—Lake Shore & Michigan Southern Railway Co. Length of line, 862.15 miles. Stocked and bonded for \$100,769 per mile.

Pittsburgh, Ft. Wayne & Chicago Railway Co. Length of line, 469.89 miles. Stocked and bonded at \$108,552 per mile. This road was on July 1, 1869, leased to the Pennsylvania Railroad Co. for the term of 999 years, at a rental of \$3,693,638 per year, \$3,570,538 of that sum being the aggregate amount of the annual dividends and interest on the stocks and bonds of the road, which for the term of 999 years will amount to \$3,566,967,462, which is but \$387,629,008 less than the value of all the roads on June 30, 1898.

*Group IV.*—Chesapeake & Ohio Railway Co. Length of line, 894.99 miles. Stocked and bonded for \$100,622 per mile.

Norfolk & Western Railway Co. Length of line, 1,430.02 miles. Stocked and bonded for \$86,894 per mile.

*Group V.*—Illinois Central Railroad Co. (Line south of Cairo, Illinois.) Length of line, 894.41 miles. Stocked and bonded for \$86,390 per mile.

Southern Railway Co. (Line west of Virginia lines.) Length of line, 1,666.05 miles. Stocked and bonded for \$83,675 per mile.

*Group VI.*—Chicago & Western Indiana Railroad Co. Length of line, 48.58 miles. Stocked and bonded for \$325,271 per mile.

Duluth, South Shore & Atlantic Railway Co. Length of line, 571.71 miles. Stocked and bonded at \$79,854 per mile.

Eastern Railway Co. of Minnesota. Length of line, 72.39 miles. Stocked and bonded for \$116,273 per mile.

Wisconsin Central Co. Length of line, 257.54 miles. Stocked and bonded for \$70,666 per mile.

*Group VII.*—Northern Pacific Railway Co. (Line in Idaho and Montana.) Length of line, 1,505.89 miles. Stocked and bonded for \$69,087 per mile.

Union Pacific Railway Co. (Union and Cheyenne Divisions.) Length of line, 1,154.15 miles. Stocked and bonded for \$68,929 per mile.

*Group VIII.*—Atlantic & Pacific Railroad Co. (Central Division.) Length of line, 112.05 miles. Stocked and bonded for \$172,379 per mile.

Missouri Pacific Railway Co. Length of line, 1,060.60 miles. Stocked and bonded for \$103,319 per mile.

St. Louis Southwestern Railway Co. Length of line, 582.70 miles. Stocked and bonded for \$110,944 per mile.

*Group IX.*—Gulf, Colorado & Santa Fé Railway Co. Length of line, 957.74 miles. Stocked and bonded for \$56,202 per mile. Valued by the Texas Railroad Commission in 1895 at \$17,140.06 per mile.

Missouri, Kansas & Texas Railway Co. (Line south of Denison, Texas.) Length of line, 837.91 miles. Stocked and bonded for \$75,491 per mile. This road was valued by the Texas Railroad Commission in 1894 at \$16,036 per mile.

Galveston, Harrisburg & San Antonio Railway Co. Length of line, 919.06 miles. Stocked and bonded for \$57,824 per mile. This road was valued by the Texas Railroad Commission in 1894 at \$17,563.92 per mile.

Texas & Pacific Railroad Co. (Line in Texas.) Length of line, 1,039.33 miles. Stocked and bonded for \$66,981 per mile. This road was valued by the Texas Railroad Commission in 1894 at \$17,059.73 per mile.

*Group X.*—Atlantic & Pacific Railroad Co. (Western and California Division.) Length of line, 576.40 miles. Stocked and bonded for \$172,379 per mile.

California Pacific Railroad Co. Length of line, 113.51 miles. Stocked and bonded for \$165,849 per mile.

Central Pacific Railroad Co. Length of line, 1,348.58 miles. Stocked and bonded for \$114,866 per mile.

Southern Pacific Coast Railway Co. Length of line, 101.00 miles. Stocked and bonded for \$113,861 per mile.

Southern Pacific Railroad Co. (of Arizona). Length of line, 392.93 miles. Stocked and bonded for \$76,337 per mile.

Southern Pacific Railroad Co. (of California). Length

of line, 1,970.01 miles. Stocked and bonded for \$64,259 per mile.

It is some relief to turn from the foregoing instances of over-capitalization to the Canadian Pacific Railway Co. (not in the United States). Length of line, 3,436.80 miles. Stocked and bonded for \$41,390 per mile, which is much more than it cost, and on which the aggregate of dividends and interest amounted to 3.41 per cent for the year ending June 30, 1897. These figures explain why it is that rates are lower on the Canadian Pacific than on the overland lines in the United States.



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**CHAPTER VII.**

**Taxation of railroads.**—Taxes are paid by the patrons of the road: not one cent of tax comes from the stock- and bond-owners.—The burden falls most heavily on the producers, while the capitalists, bankers, bond- and mortgage-owners escape.—The principal part of the railroad tax is paid by the farmer.—Taxation of the roads greatly increases the number of officers and clerks, and the operating expenses.—Taxation of franchises a fraud on the people.—How it gives the roads the right to increase their rates.

Railroads, when properly operated and controlled, have but one legitimate way of earning money, and that is by the carriage of passengers and freight, mails, express matter, etc.; all their earnings come directly or indirectly from the people. The people pay all the salaries of railroad officials, all the wages of other railroad employees, and all the operating expenses of the roads. The interest and dividends on railroad bonds and stocks are paid by the people. All taxes paid by the railroads to the States, counties, cities, towns and school districts are paid by the paying patrons of the roads, and the burden falls most heavily on those who pay the freights. In proportion to the value of his gross products, the farmer pays the highest rates of any shipper or producer in the United States. Table No. 24 shows that while the passenger traffic paid 21.40 per cent, the freight traffic paid 70.28 per cent of the total earnings of the railroads in 1898; or, putting it in plain language, for every dollar that the roads received for carrying passengers, they received almost three and one-half dollars for carrying freight. The

products of the farm, such as wheat, corn and other grains and seeds, cattle, hogs, horses, hay, fruit and nearly all other products of the land, are heavier and of greater bulk in proportion to their market price than any other class of freight, except coal and some of the low-grade ores that are shipped for reduction; and as to these two classes of freight, they are usually shipped at such rates as are never given to the farmer when he attempts to ship to the market point instead of selling to the local middleman, and consequently a larger proportion of the farmer's gross earnings are absorbed in the payment of freights than are those of any other class of producers. The prices of many of the products of the farm are made in Europe, and when the farmer sells at the home station, the freight is deducted then and there, and the farmer has paid it. The prices of wagons, plows and all kinds of farming implements and machinery are made at the factories; the farmer pays the factory price, the local merchant's profit and the freight. When the farmer sells, others fix the price and the farmer pays the freight; when the farmer buys, the price is fixed by others and the farmer pays the freight.

How is it as to fares? Many people are under the impression that through passengers pay a large proportion of the fares collected by the railway companies; and that is true when applied to the unsettled or sparsely settled portions of some of the Western States and Territories, but when applied to all the railroad mileage of the country, it does not hold good. During the year ending June 30, 1890, there were 498,070,093 passengers carried on the railroads of the United States, of which number but 68,218,009 were through passengers, while 429,852,084 were local passengers. (See p. 593, part 1, *Transportation by Land, Census of 1890*.)

TABLE NO. 24.—Comparative Summary of Earnings and Income and Analysis of Earnings from Operation for the Years Ending June 30, 1898 and 1897.

[From the Report of the Interstate Commerce Commission, 1898.]

Source of Income.	Gross Amount.		Proportion to Total Earnings.				Proportion to Total Earnings and Income.				Increase of 1898 over 1897.	
	1898.*	1897.†	1898.*		1897.†		1898.*		1897.†		Amount.	Per Cent.
			Per ct.	Per ct.	Per ct.	Per ct.	Per ct.	Per ct.				
Passenger revenue	\$266,970,490	\$251,135,927	21.41	22.37	19.27	20.13	6.31	\$15,834,563				6.31
Mail	34,608,352	33,754,466	2.77	3.01	2.50	2.71	2.53	883,896				2.53
Express..	25,908,075	24,901,066	2.08	2.22	1.87	2.00	4.04	1,007,009				4.04
Other earnings, passenger serv- ices.....	7,224,000	6,629,980	.58	.59	.52	.53	8.96	594,020				8.96
Freight revenue...	876,727,719	772,849,314	70.23	68.88	63.25	61.97	13.44	103,876,406				13.44
Other earnings, freight service...	4,688,205	4,209,657	.38	.38	.34	.33	11.25	473,548				11.25
Other earnings from operation....	31,110,423	28,384,004	2.49	2.83	2.24	2.28	9.61	2,726,419				9.61
Unclassified .....	496,357	\$225,380	.01	.02	.01	.02	85.58	1132,002				85.58
Total earnings from operation	\$1,247,925,621	\$1,122,089,773	100.	100.	9.97	10.03	11.16	\$125,238,948				11.16
Income from other sources..	138,202,779	125,090,010	.....	.....	.....	.....	10.48	13,112,769				10.48
Total earnings and income ...	\$1,385,928,400	\$1,247,179,783	.....	.....	100.	100.	11.09	\$138,948,617				11.09

\*184,648.26 miles of line represented.

†183,254.25 miles of line represented.

‡Covers three roads making no classification of earnings under the several heads.

§Covers nine roads making no classification of earnings under the several heads.

||Decrease.

These figures show that only 13.69+ per cent of the passengers traveled on through passes or tickets. The through passenger gets reduced rates, while the local passenger usually pays full local rates; and it may here be truthfully said

that the through passenger who travels on a pass or at reduced rates is generally one of that class of persons who are best able to pay full fare. But however that may be, it is certain that the agricultural class pays its full share of railroad fares.

In giving the average passenger and freight rates per mile in the United States, the corporations count the whole number of passengers carried, including all who travel on passes; and the total number of tons of freight carried, including deadhead freight, is included in their calculations. Consequently, the figures cannot be correct when applied only to those who pay regular rates. It is said that about one-quarter of the passengers travel on passes and special rates, and that many thousands of tons of freight are dead-headed or carried on special rates.

The following clipping from the *Kansas City Journal* of September 12, 1898, tells the story in few words:

*Big Business in Sight—Crops in the West Show an Enormous Tonnage of Freight to be Handled.*

In spite of market rumors, there is no doubt that, taking the crops of the West as a whole, there is a larger traffic now in sight for the railways than has been visible at any time since 1891. Almost all crops seem to be curiously irregular, the condition varying widely in closely adjoining sections, but the aggregate result is undoubtedly immense, and a tremendous tonnage will be handled and enormous revenues earned if the customary rates are maintained.

In collecting the revenue above referred to, it is claimed by the corporations that the rates imposed are based upon and cover the cost of operation and the amount necessary to pay interest, dividends and taxes. If only operating expenses and interest and dividends were to be paid, the rates, if just, would necessarily be lower than at the present time.

If only operating expenses and a fixed interest on the present value of the roads were to be paid, rates would be very much lower than they now are. In other words, when the roads are properly controlled, as they can be, every excuse for maintaining high rates that is taken away from the companies will result in lower rates. It would be unjust to tax the roads and not allow them to earn the money with which to pay the taxes. In the year 1898 the railroads paid in taxes the sum of \$43,828,224 in the different States and Territories. (See page 92, Statistics of Railways for 1898.) This money did not come from the stock- and bond-owners; it never reached them. It came directly from the pockets of those who paid the fares and freights. It did not come from the money-lenders and the owners of city property. It nearly all comes from the producers of the country. The higher the railroad taxes, the lower the taxes of the money-lenders—the owners of brick, stone and marble buildings and the owners of the mortgages on the farmer's lands. If the railroads were taxed enough to run the States, counties, cities and townships, then those who patronize the roads would in fact pay all the taxes, who now, besides paying the railroad taxes, are also required to pay the same rate of taxes on their own property that is paid by those who do not pay their proportion of railroad taxes. But suppose that the railroad taxes fell equally upon every property-owner in the State, still, taxing the roads would be a useless and very expensive piece of mismanagement on the part of the people. Nearly every road is forced to maintain a department, under the control and management of a large number of officers and clerks, known in railroad circles as the "Tax Department," at a cost of many thousands a year, *amounting* in the aggregate to millions of dollars, which

are part of the "operating expenses" of the roads; to say nothing of the expensive lawsuits and proceedings before boards of equalization, penalties imposed, etc., etc.—which all go into and are called "operating expenses," and are paid by the people who pay the fares and freights. Railroads are public highways, and there is no more reason for taxing any kind of property that is necessarily used in the operation of them than there would be in taxing the State and county wagon-roads. Railroad lands that are not used as right of way, or for terminal or other purposes in the actual operation of the roads, should be taxed the same as the lands of private persons. The lands were granted to the corporations to aid them in the construction of their roads, and not for speculative purposes; they should be compelled to sell them when offered the price at which adjoining lands of the same quality are selling; at all events, the taxes on those lands should not be charged up as operating expenses and paid by the people, for the reason that the people have no interest whatever in them, and are in no way benefited by them.

California and some of the other States have in their State constitutions provisions for the taxing of railroads and their "franchises." Of all the schemes ever devised by the cunning of man for the purpose of wrongfully getting the people's money away from them without running the risk of being prosecuted for larceny, that of taxing the franchise of a railroad or any public corporation is probably the simplest, and at the same time altogether the safest. Morawetz defines the word "franchise" as follows:

The word "franchise" is generally used to designate a right or privilege conferred by law. Thus, when the legislature grants a charter of incorporation, it confers upon the grantees of the charter

the right or privilege of forming a corporate association, and of acting within certain limits in a corporate capacity; and this right or privilege is called the corporate franchise. It is conferred upon the individual grantees, together with such other persons as may become members of the association, either by a transfer of the shares and substitution in place of prior members, or by the creation of new shares, which the legislature has authorized the company to issue. Sometimes charters of incorporation confer additional rights which do not pertain to the formation of the association; as, for example, the right to take private property under the power of eminent domain, or the exclusive right of establishing a ferry and charging tolls. These rights are also called franchises.

(Morawetz on Private Corporations, Sec. 922.)

A franchise granted by the State with a reservation of a right to repeal must be regarded as a mere privilege while it continues, and the Legislature may recall it at any time without affording any ground to claim redress.

(Cooley's Const. Lim., p. 384, 1st ed., 1868.)

A railroad franchise is not the right of way, nor the road-bed, nor the cross-ties, nor the rails, nor the rolling stock, nor any or all of these physical parts of a road; it is simply the permission given by the State to certain parties and their associates and successors in interest to construct the road, and to exercise the power of "eminent domain" in obtaining a right of way through private lands, when the owner refuses to sell at a reasonable price. The power of eminent domain is exercised by commencing and prosecuting a suit against the owner who refuses to sell, or to sell at a reasonable price, the land that is shown to be necessary for the construction of the road, a public highway, under the provisions of the company's charter. The court hears the evidence, fixes the price of the land, and damages, if any, are awarded to the owner; and upon the payment of the price of the land and damages, gives the company the right to *enter upon* and construct a railway across the land. Private

property can be taken under the power of eminent domain only for a public purpose. How then can the railroads be said to be the private property of the corporations? The franchise costs nothing; it is given by the State to the grantees for the purpose of aiding them in the construction of a railroad. The franchise is no part of the road; its existence is established and complete, before a pick has been struck into the ground for the purpose of commencing the grading of the road. Why should this gift from the people be turned into a means for taxing them? It is the people's fault that puts it in the power of the corporation to use the franchise for the purpose of extorting money from them. In their eagerness to tax everything connected with the road, the people get a few thousands of dollars as tax on the franchise, which they pay themselves, and for that privilege they pay about ten times as much to the company for its benefit. When valued for the purpose of taxation, the value fixed upon the franchise by the State authorities immediately attaches itself to and becomes a part of the value of the road, by giving it, in addition to its right to earn a reasonable income on its own value, the right to also earn a reasonable income on the value of the franchise as fixed by the State authorities, for the purpose of taxation; and this may result in an increase of rates. When the producers ask for lower rates, the corporations answer that the rates are already as low as they can be made and enable the road to earn operating expenses and a reasonable income on the value of the railroad property.

The reply is: "Your road is worth but so much per mile," giving the value of the physical property of the company.

"That may be true," says the corporation, "but you have



overlooked the value of our franchise, which for the purpose of taxation you have valued at \$3,000,000; that is about one-third of its actual value, which is about the same proportion at which you value private property for taxing purposes. Our franchise is worth \$9,000,000, upon which we are entitled to a gross earning of 12 per cent."

The Railroad Commission of the State attempts to lower the freight rates. The corporation, having been organized under the laws of another State, is a foreign corporation, or it has stockholders who are citizens or subjects of some other State or country, and are therefore entitled to sue in the United States courts. Suit is commenced in the Circuit Court of the United States; a temporary restraining order is granted, and after some months the case is tried. The railroad people take the stand, and to a man swear that the road and franchise are worth \$57,000 per mile. Every man in the court-room knows in a general way that the road is not worth one-third of that amount per mile, but none who are friendly to the State know it in a way that will make their knowledge admissible as evidence in the case. The State never having according to law placed a true valuation on the road, it is not prepared to offer the testimony of expert engineers who have measured every physical feature of the road and are prepared to give the facts and figures to the court, and to swear to the actual value of the property; consequently the road is granted a decree as prayed for, and the injunction is made permanent. The State not only pays the costs and the fees of its own attorneys, but as the fees and expenses of the railroad attorneys and the expenses of the railroad officials are "operating expenses," the people pay them also. By taxing the franchise on a valuation of \$3,000,000, the State probably gets

about  $2\frac{1}{2}$  per cent on that amount, which would be \$75,000 paid by the road as tax on its franchise. For the purpose of fixing rates the corporation values its franchise at \$9,000,000 and makes the rates such as will insure 12 per cent gross earnings on the value of the road and franchise, which on the value of the franchise will amount to \$1,080,000 per year—a balance of \$1,005,000 in favor of the road, and the people have paid \$1,080,000 for the privilege of getting back \$75,000. The figures will differ in each State, but the result will be similar wherever the franchises and railroads are taxed; and the producer in the end pays all.

## CHAPTER VIII.

Smith *vs.* Ames.—Nature of suit.—Railroads win.—Comment on the result by railroad officials and parasites.—Corporations desire that the Federal Government have control of all railroad legislation.—Construction placed on the law by the Supreme Court of the United States.—Court's ideas concerning the way in which maximum rates must be fixed.—Injustice of the rule adopted by the court.—The court virtually decides that the property of the corporations cannot decrease in value.—The people must pay for all that was lost and stolen in the construction of the roads.—Depreciation in the value of private property.—The case of the Metropolitan Trust Company of the City of New York *vs.* Houston & Texas Central Railroad Company.—Judge McCormick decides that the road is entitled to earn interest and dividends on "good-will" and "established business.—Texas Commission, after careful survey and measurement, fixes the value of the road at \$21,186 per mile, while Judge McCormick, without such data, fixes the value at \$62,000 per mile.

Three cases, Smith *vs.* Ames, Smith *vs.* Smith and Smith *vs.* Higginson, were commenced in the United States Circuit Court of the Eighth Judicial Circuit, which includes the State of Nebraska. The suits were commenced by citizens of the State of Massachusetts and a number of British subjects, for the purpose of preventing the Nebraska State Board of Transportation from enforcing a law enacted by the Legislature of Nebraska, prescribing certain maximum freight rates on railroads within the State of Nebraska; the plaintiffs contending that the law was in violation of the Fourteenth Amendment of the Constitution of the United States in this: that it deprived the corporations of *their property* "without due process of law," and that it

denied to them the "equal protection of the laws." The plaintiffs prevailed in the Circuit Court, and the State Board of Transportation took an appeal to the Supreme Court of the United States, in which court the cases were argued on the 5th, 6th and 7th days of April, 1897, and were decided on the 7th day of March, 1898. (See *Smith vs. Ames*, 169 U. S., p. 466.) The decree of the Circuit Court in each of the cases was affirmed by the Supreme Court, which was cause for great rejoicing on the part of the railroad officials and much adverse comment on the part of the people. Mr. Chauncey M. Depew, the chairman of the Board of Directors of the New York Central, is reported to have expressed himself on that occasion as follows:

The contention of the men who framed the Nebraska law, and people in other Western States who agree, has been for years that the legislatures have the right to confiscate railroad property within the States by fixing rates so low as to leave no return to stock- and bond-holders.

The Legislature has the power to fix rates within limits within which the railways can live and grant reasonable terms. As to what are reasonable rates, the Supreme Court would decide finally. This is a new country, and railways are necessary to develop it. There are still immense areas yet developed, which can never be developed without railway lines.

That it is within the constitutional power of the judicial department to set aside a positive enactment of the legislative department of government, on the sole ground of the unreasonableness or inexpediency of the act in question, is a new and dangerous departure from the old and well-understood powers of the judicial branch of government. No statute law, however unreasonable, is on that ground alone unconstitutional and void. Many of the judges of the highest courts do not hesitate to declare that

in their opinion high license and prohibition laws are unreasonable, but those same judges do not hesitate in pronouncing judgments enforcing the laws, if found to be in every way in strict compliance with the requirements of the Constitution.

If the Supreme Court of the United States proposes henceforth to set aside all acts of the legislatures of the different States that are objected to by the corporations on the ground of being unreasonable, the sooner that court is reorganized and its powers more clearly defined by the Constitution and laws, the better it will be for the people. If the citizens of Massachusetts and the subjects of Queen Victoria, instead of investing in Nebraska railroad stocks and bonds, had loaned their money to parties in the State of Illinois, without any agreement as to the rate of interest to be paid for its use, would the Supreme Court of the United States have listened to them in their contention that the law of Illinois which makes 5 per cent the legal rate of interest in the absence of an agreement as to the rate to be paid, was unreasonable and deprived them of their property "without due process of law," and that they were "denied the equal protection of the laws"? Clearly, the court would have no jurisdiction, even were the legal rate but 2 instead of 5 per cent. But if it is merely a question of "reasonableness," why should the court not have jurisdiction in the supposed Illinois case as well as in the Nebraska case?

It is reported that Mr. Depew receives \$75,000 per year for the valuable services he renders to the New York Central Railroad. If that is true, one may easily understand why he would object to any law that tends to cut down the *gross* receipts of the corporations.

While Mr. Depew's opinions were being aired by the public press, one Mr. H. P. Robinson published an article in the *North American Review*, in which he kindly forewarns the people as to what will follow as the result of the decision in *Smith vs. Ames*. Mr. Robinson has been described by the editor of the *Locomotive Fireman's Magazine* as follows:

Mr. Harry P. Robinson is a gentleman of considerable repute. He is the president and managing editor of the *Railway Age*, which is perhaps the leading publication in the United States representative of the interests of owners of railway stocks and bonds, and also of the railway official class.

Mr. Robinson begins his article by saying: "The decision of the United States Supreme Court in what is known as the Nebraska Maximum Rate Case, which was rendered on March 7, 1898, promises to be of the greatest value to the railways of the country, especially in the Western and Southern States." From some of the wild conclusions drawn by Mr. Robinson, and to which the reader's attention will be called later on, it will appear that he has hopes that ought to be blighted. Again, Mr. Robinson says: "It would be an incalculable blessing, both to the people and the companies, if the railway system of the United States could be treated as a national unit under Federal control only." It will be noticed that this great blessing is to come from "national control"—not ownership. The tools of the corporations and trusts are everywhere proposing national control of the railroads and other trusts. Controlling as they do the United States Senate and a large number of the Federal judges, they know that they have nothing to fear from national control. To put the corporations and trusts under Federal control, with the present make-up of the Senate and the Federal bench, would be to allow the trusts to control

themselves. If it were so that the corporations had only to deal with one set of government officials, doubtless matters would be very much simplified; but if the people take warning from the decision in the case of *Smith vs. Ames*, it will be some time before the States surrender the right to regulate their domestic affairs. If the people soberly reflect on what Mr. Justice Harlan said in delivering the opinion of the court, the decision will produce good results. "To be forewarned is to be forearmed."

Mr. Robinson boastingly informs the public that the taxes paid by the railroads amount to  $3\frac{1}{2}$  per cent of their gross earnings, but fails to explain why railroads, if taxed at all, should not pay taxes on the value of their property just as others pay. It will be seen in Table No. 5 that the corporations claim the total amount of their assets on 170,060 miles of main line to be \$11,907,498,818. The same proportion applied to the 186,396 miles of main line gives the total value of \$13,051,354,760. On this great amount of property the total amount paid as taxes in the year 1898 was \$43,828,224, which is but  $33-100+$  of 1 per cent, or, to put it in the shortest way,  $1-3+$  of 1 per cent. This would not be so bad a showing were it not for the fact that the corporations insist that they be allowed to earn enormous salaries for officers, together with interest and dividends on the alleged value of their roads. If the roads were restricted in their net earnings to 5 per cent on the actual value of their property, the amount of taxes paid by them would be but little below that paid by the public. However, railroads should not be taxed at all, but, like all other public roads, should be exempt from taxation. (See Chapter VI., on Taxation of Railroads.)

Mr. Robinson informs the public that the railroad ques-

tion is finally and forever settled by the Supreme Court in its decision in the case of *Smith vs. Ames*, and that henceforth and forever any legislation attempting to fix maximum rates for the carriage of passengers and freight will be null and void in the following twenty-five States and Territories, to-wit: Alabama, Arizona, Colorado, Florida, Georgia, Indian Territory, Iowa, Kansas, Louisiana, Michigan, Montana, Mississippi, Missouri, Nebraska, New Mexico, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Texas, Utah, Washington and Wyoming. While Mr. Robinson does not say that in the following-named twelve States the legislation would be utterly null and void as in the above twenty-five States and Territories, yet he says that if the legislature of any of the twelve States attempts to cut down the present rates, the companies will have no difficulty in showing any such legislation to be plainly confiscatory and unconstitutional. The States to which this information applies are: California, Delaware, Illinois, Kentucky, Maine, Maryland, Minnesota, Ohio, Tennessee, Virginia, West Virginia and Wisconsin. Mr. Robinson does not mention the State of Indiana, but says there are only seven States within which legislation attempting to fix maximum rates might be permitted. He, however, prepares the people in these seven States for disappointment by giving them timely warning that it is questionable whether even in these States the Supreme Court would hold such legislation to be constitutional. The oracle then names Connecticut, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island, and all Eastern States in which the corporations are solid. Mr. Robinson's article in the *Review* is copyrighted, and cannot be published without the consent of the owners of the copy-



right, else it would find a place herein. In the case of the Union Pacific Railroad, which was one of the roads connected with the suit, the corporation contended that because the road had been chartered by the general Government, which reserved the right to "alter, amend or repeal" the charter, the right to fix maximum rates, if it existed anywhere outside of the corporation, could only be exercised by the general Government, and not by a State. This contention on the part of the corporation was overruled by the court, which said that Congress not having exerted this power, as it might have done under the terms of the charter, it remains with the States through which the road passes to fix rates for transportation beginning and ending within their respective limits. The true reason is that Congress has no authority to interfere with the exercise of the police power by the States within their borders. The same question had recently been decided against the corporations in the case of *Reagan vs. Mercantile Trust Co.*, 154 U. S. 413.

On pages 547 and 548 of the 169th U. S. Reports, the court says that the conclusion reached finds support in the "Report of the Board of Secretaries" of the Nebraska Board of Transportation made in September, 1891, in which is contained "the statement that the railroads in that State could not be duplicated for a less sum than \$30,000 per mile." If the people of Nebraska rested their case on such testimony as that, they ought to have been defeated. An honest survey and measurement of every part of every mile of the railroads in the State of Nebraska will prove that they can be duplicated for less than \$17,000 per mile, including expensive terminals. It is more expensive and difficult to construct railroads in Texas than in Nebraska, yet in 1896 the 9,057 miles of road in Texas could be duplicated for

\$15,731.01 per mile. In rendering his decision, Mr. Justice Harlan used the following language:

In our judgment, it must be held that the reasonableness or unreasonableness of rates prescribed by a State for the transportation of persons and property wholly within its limits must be determined without reference to the interstate business done by the carrier, or to the profits derived from it. The State cannot justify unreasonably low rates for domestic transportation, considered alone, upon the ground that the carrier is earning large profits on its interstate business, over which, so far as rates are concerned, the State has no control.

It seems almost impossible that the court should intend what the above language expresses. In 1896 Nebraska produced 298,599,638 bushels of corn, 19,390,602 bushels of wheat, 34,092,631 bushels of oats. Much of the corn is shipped to the Gulf ports, Kansas City and Chicago; the wheat and oats are shipped to Kansas City and Chicago. The cattle and hogs raised in Nebraska are mostly shipped to Kansas City and Chicago. Thousands of car-loads of produce from all parts of the State are shipped by railroad beyond the State lines; and whether it crosses one hundred miles or one hundred feet, if it crosses the State line at all it is interstate commerce, and according to this decision, while much of the freight money is earned in the State, the Board of Transportation of Nebraska cannot consider that fact in fixing maximum rates. This ruling applies to the States in general, and therefore applies to the State of Kansas. In 1896 Kansas produced 247,734,004 bushels of corn, 30,794,452 bushels of wheat, 23,808,759 bushels of oats. Kansas City, Missouri, and the Gulf ports are the market points for nearly all of the agricultural products of Kansas. The agents of the Kansas City merchants and traders buy grain, live

stock and other agricultural products in every part of Kansas, to be delivered at the nearest railroad station for shipment to Kansas City. When delivered at the station it is paid for at the Kansas City market price, less the railroad freight and the cost of handling. Thus the freight and other expenses are paid by the Kansas farmer. The produce is shipped and hauled hundreds of miles over the railroads in the State of Kansas, and from a few hundred yards to two or three miles into the State of Missouri, and thus becomes "interstate commerce." The freights have been paid by the Kansas farmers, and the freight-money nearly all earned by the railroads within the State of Kansas; and yet, according to the rule laid down in *Smith vs. Ames*, these facts cannot be considered by the Kansas Railroad Commission in arriving at the aggregate earnings of the railroads within the State of Kansas, for the purpose of fixing maximum rates within the State. Nor can the earnings on this freight be considered by the Railroad Commission of Missouri, if fixing rates in that State. The vast shipments of grain and stock that go into Kansas City and Chicago nearly all cross one or more State lines in reaching those cities, and are therefore interstate traffic and cannot be considered by any State in fixing rates, if the decision in *Smith vs. Ames* is good law. The enormous products of the great "packing-houses" throughout the country nearly all cross one or more State lines in the course of their distribution, but under this decision the freight earned on such distribution cannot be considered by any State in fixing rates. There is at all times an enormous tonnage crossing the continent from the Pacific coast cities to the Atlantic coast cities that cannot be considered by any State in fixing rates, if the decision in *Smith vs. Ames* is good law. Under the decision in *Smith*.

*vs. Ames*, the corporations have the right to earn enough on their local business to pay the expenses of operating and maintaining the roads and dividends and interest on their stocks and bonds. What, then, is to be done with the earnings on interstate commerce? This rule is not based upon the letter of the interstate commerce law, but, like many other rules that are against the people and in favor of the corporations, it arises by the *constructions and interpretations* placed upon the law by the courts. To take into consideration the amount of earnings of the roads within the State of Kansas, on the interstate commerce rates fixed by the Interstate Commerce Commission, would not be regulating commerce between the States. The State Railroad Commission, in arriving at the aggregate earnings of the roads within a State, should not only have the right to take into consideration the earnings on all freight from any and all points within the State up to the State line, but should also take into consideration any and all earnings on transcontinental freight, within the State's lines, that passes through the State, on rates fixed by the Interstate Commerce Commission. A part of the freights are earned by the haul from or through the State as the case may be, and are therefore earnings of the roads within the State. If a portion of the freight-money earned on transcontinental freight is not earned in each State through which the freight is hauled, where is it earned? It is clear that the Supreme Court needs the direction of a plain, positive act of Congress on this point.

The most alarming proposition announced by the court in *Smith vs. Ames* is in the following language:

We hold, however, that the basis of all calculations as to the reasonableness of rates to be charged by a corporation maintain-

ing a highway under legislative sanction must be the fair value of the PROPERTY BEING USED BY IT FOR THE CONVENIENCE OF THE PUBLIC. And, in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and MARKET VALUE OF ITS BONDS AND STOCK, the present as compared with the original cost of construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration, and are to be given such weight as may be just and right in each case.

Every man, woman and child in the United States knows that railroads were not constructed and that they are not operated "for the convenience of the public." They were and are constructed and operated for the sole purpose of getting the public's money, without regard to the public's rights in the matter. When expressed in plain language, the court says in effect: "In fixing rates to be charged by railroads, the calculations must be based on the *fair value* of the road to which the rates are to apply." In other words, the rates must be such as to afford a reasonable rate of interest on the sum of money which expresses the value of the road. No honest man will object to that proposition, for the corporations are entitled to that measure of compensation on the value of the road. It is what follows that sentence in the decision that causes alarm and uneasiness in the minds of the people, to-wit: "*and in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stocks, . . . are all matters for consideration,*" etc.

If this language is to be "recorded as a precedent," then in truth the corporations had great reason to rejoice when the decision was announced. The decision affirms the prin-

ciple laid down by Mr. Justice Brewer in deciding the case in the Circuit Court, who there said:

If it be said that the rates must be such as to secure to the owners a reasonable per cent on the money invested, it will be remembered that many things have happened to make the investment far in excess of the actual value of the property: INJUDICIOUS CONTRACTS, POOR ENGINEERING, UNUSUALLY HIGH COST OF MATERIAL, RASCALITY ON THE PART OF THOSE ENGAGED IN THE CONSTRUCTION OR MANAGEMENT OF THE PROPERTY. THESE AND MANY OTHER THINGS, AS IS WELL KNOWN, ARE FACTORS WHICH HAVE LARGELY ENTERED INTO THE INVESTMENT WITH WHICH MANY RAILROAD PROPERTIES STAND CHARGED. . . . .

Now if the public were seeking to take title to the railroad by condemnation, the present value of the property, and not the cost, is that which it would have to pay. . . . Nevertheless, the amount of money that has gone into the railroad property as the actual investment, as expressed, theoretically at least, by the amount of stock and bonds is not to be ignored in fixing rates, even though such sum is far in excess of the present value.

If, in the fixing of rates, the public is forever to be charged with the amount stolen by the original promoters and stockholders and their successors in interest, then the thieves who organized the Credit Mobilier "buildd better than they knew"; they thought they were stealing from the corporation, but it turns out that they simply made a forced loan from the company and gave a perpetual mortgage (which the Supreme Court says is valid) on all the farms within the reach of the road for the payment of interest on the sum thus taken by them. If the people of Nebraska had agreed with the stock- and bond-holders of the corporation to be responsible for and pay interest on whatever amount the Credit Mobilier might see fit to withdraw (steal) from the treasury of the Union Pacific Company, or waste in unskillful management of the property, or that might be lost through the rascality of any of the road officials, then

and in that case, the above rule as laid down by both the Supreme and Circuit Court would seem to be all right. Every one of the present owners of the stock and bonds of the Union Pacific Railroad took the same with full knowledge of the stealings of the Credit Mobilier; in fact, some of them are the heirs of members of the corporation when the exposure was made. If the citizens of Nebraska are in no way responsible for the money that was wasted and stolen, why should they be taxed to repay the amount with interest?

It does not seem possible that the Supreme Court intended to say that while the little property owned by the poor man may, year by year, decrease in value and become less, that the property of the rich corporations is under judicial protection and will always be worth all that was lost and stolen in its creation; and yet that is the only interpretation that can be placed on its language. Thousands of farmers invested all the money they had in lands at war prices, and gave mortgages to secure deferred payments, more than thirty years ago, and have toiled for many years in trying to remove the incumbrance from their homes. Some have succeeded, only to find that the land they paid \$100 per acre for is now worth but \$40 per acre; others, oppressed by exorbitant freight rates and the total or partial failure of crops, have been unable to pay the interest on the mortgages, and have seen them foreclosed and the land sold for less than half they paid for it, while they and their families have been turned out of doors with a deficiency judgment against them. Just prior to 1873, when mining was the principal industry in many of the Western States and Territories, millions of money were invested in silver mines having large bodies of low-grade *ore, that could be worked at a profit with silver selling at*

**\$1.29** per ounce, the price paid by the Government at that time.

If anything could be said to have stability of price, it was silver in those days. In 1873 silver was practically demonetized; the price went down until it got to such figures as precluded the working of thousands of the low-grade mines; the mines were shut down, and have never since been reopened. Hundreds of mills and smelters erected for the purpose of working the low-grade and rebellious silver ores were also forced to shut down, and were abandoned to the bats and owls, and what had been the homes of well-paid miners and mill-men became the hiding-places of coyotes. Prices went down, and the people had to stand the loss, and submit to the inevitable. Thousands of ranchmen invested large sums in the business of raising horses and mules to supply the demands of stage and freight lines that at that time were running through all parts of the West. Horses and mules were then worth from \$100 to \$300 per head for use in stage and wagon teams. By the time the ranchmen got their business fairly started, a line of railroad came their way, and their horses and mules were hardly worth breaking; the heavy stages and freight wagons that had cost from \$500 to \$1,000 each were not worth \$50 apiece. Expensive wagon-roads were built into the mountains to points at which sawing-timber could be gotten, saw-mills were bought and hauled into the country and up into the mountains at great cost; and when there appeared to be a fair prospect of getting back the money spent on the roads and saw-mills, along came a railroad and laid down the lumber in the valley for a less price per thousand feet than it cost to get the logs to the saw-mill—and so the money spent on the roads and mills was gone beyond hope



of recovery. Numberless other instances of the great fall in the value of different kinds of property will suggest themselves to the reader. The people who have suffered these losses through the depreciation in the value of property in general are the same Western people who are accused by Mr. Depew of wanting to confiscate his patrons' property, simply because they do not want to pay \$166 per ton for steel rails when the market price is \$17 per ton. Railroads must be valued at just what it would cost to reproduce them to-day, and if the cost of materials and labor increases, the value of the roads will increase; if the cost of materials and labor decreases, the value of the roads will decrease. The organization of the great iron and steel "trust" will probably prevent the price of railroad materials from going lower in the near future.

If the amount and market value of the stocks and bonds of a railroad are to be taken into consideration in fixing its value and the rates to be charged for the carriage of passengers and freight, then a road built in 1898 at a total outlay of \$16,666 per mile may at once fix such rates as will pay a reasonable interest—say 5 per cent—on \$50,000 per mile; and in that case the stock and bonds of such road, if aggregating \$50,000 per mile, would at once be in great demand and sell at a premium over their face value, which in turn would justify higher rates of fares and freights on the roads, in accordance with the decision in *Smith vs. Ames*, and these higher rates might pay 5 per cent on \$100,000 per mile, or 30 per cent on the cost of the road, "*which was constructed and is operated for the convenience of the public.*" There being no competing line near this road, the producers would be obliged to patronize the road, and if they tried to "confiscate" the property "used for

their convenience" by demanding reasonable rates, it would at once be made plain to them that the corporation was justified, by the decision in *Smith vs. Ames*, in taking "all the traffic will bear." Those who braved the dangers and endured the hardships of frontier life, with the hope of becoming the owners of valuable farms, find that all their labors and privations have been for the purpose of increasing the value of a railroad, "a public highway," that by public aid and private donations was constructed for the "convenience of the people," and that their land, while rich and productive, is of little more value than the wild lands, because of the expense of getting their produce to market. Meanwhile, the value of the railroad is constantly increasing, and the dividends are growing.

It will be seen by Table No. 5 that the corporations having a mileage of 170,060 miles own \$712,649,322 worth of stocks, which stocks are principally railroad stocks, and \$332,964,961 worth of bonds.

On page 57 of the Statistics of Railways in the United States by the Interstate Commerce Commission for 1898, it is shown that on June 30, 1898, the railroads in the United States owned \$1,151,864,158 of railroad stocks and \$369,522,097 of railroad bonds.

These stocks and bonds being under the immediate control of the corporations, they will have no trouble in fixing high quotations on them while working in connection with the stock brokers; and, while doing this, they will, under the decision in *Smith vs. Ames*, give themselves the right to increase rates and consequently dividends, and an increase in dividends will naturally give the stocks a greater value and the company the right to increase rates. It will work against the people on the same principle that the colored

gentleman's coon trap worked against the coons—it will “cotch 'em a-cumin' an' a-gwine.” When the effect of that decision is well understood, there will be no more worthless railroad stock on the market.

If the rule adopted by the Federal courts in *Smith vs. Ames* is law, it virtually makes what were heretofore worthless fiat stocks and bonds of a face value of more than \$7,900,000,000 a special public debt, the interest and principal of which must be paid by the producers of the country, and for that reason is a greater burden on the industries of the country than would be a regular increase of the national debt to that amount, the interest and principal of which would be paid by all the people.

It must have been the anticipation of some such ruling that prompted the Reorganization Committee of the Union Pacific to announce their intention to stock and bond that road for \$236,000,000, when they had just paid about \$100,000,000 for it. If the original cost of construction is to be a basis upon which to fix rates, why should the present value of the roads be considered? On the other hand, if the rates are to be such as will afford a fair rate of interest on the value of the property, why consider the original cost? *“Injudicious contracts, poor engineering, unusually high cost of material, rascality on the part of those engaged in the construction and management of the property,”* as described by Mr. Justice Brewer, added a great amount of cost, but no value whatever, to the property—especially the amount expended in *poor engineering*, which to-day detracts from what would otherwise give a value to the roads. The poor engineering is still in evidence, and increases the cost of operation.

The effect of the decision in *Smith vs. Ames* quickly appeared in other cases before Federal courts, notably in

the decision of the case of the Metropolitan Trust Company of the City of New York *vs.* Houston & Texas Central Railroad Company *et al.*, decided by A. P. McCormick, judge of the Circuit Court of the United States, on December 1, 1898. The decision is referred to by the Interstate Commerce Commission in its Twelfth Annual Report (1898) on pages 53, 54 and 55, as follows:

The question of what constitutes the fair value of railway property is also involved in the case of the Metropolitan Trust Company of New York against the Houston & Texas Central Railroad Company *et al.*, and nine other cases in which the United States Circuit Court for the Western District of Texas has just granted an injunction restraining the enforcement, during the pendency of the proceedings, of rates prescribed by the Texas Railroad Commission.

It appears from the decision that rates prescribed by the Texas Railroad Commission under the Texas statute of April 3, 1891, were enjoined by that court in July, 1892, and that such portion of the decree was affirmed by the United States Supreme Court in the Reagan case (154 United States, 362); that new tariffs of rates were fixed by the Commission for the Texas roads in August, 1894, and others have since been put in force from time to time by that Commission; and that these were not maximum rates, but those to be actually charged by the carriers. The bills allege, among other things, that the present rates are lower than those which were enjoined in the former suits, but the decision now rendered is not planted on that ground.

The court based its rulings upon the case of the Houston & Texas Central as the one most favorable to the Commission. That road is bonded for \$34,000 per mile of main line, and this with its stock, amounting to \$10,000,000, makes its capitalization \$53,000 for each mile of main line; and the company claimed that the cost of construction, equipment and betterments had amounted to \$62,000 per mile. The Texas Commission had valued the railway property at \$21,000 per mile, and it contended that this was a fair valuation, including the actual cost of reproducing the road, engineering expenses, legal counsel fees, and interest on the money invested during the

period of construction. After such valuation had been made, the Commission notified the company thereof, and allowed it fifty days within which to make objections thereto, but the company did not make or suggest any, and a statement of the valuation was thereupon filed with the Secretary of State as required by the statute. The Commission claimed that the company was thereby estopped from denying the correctness of the valuation so made.

Passing this contention, the court ruled that the Commission, in estimating the value of the property, had made no allowance for its favorable location, "in view of the advance of prosperity of the country through which it runs, and the increment to its value due to the settling, seasoning and permanent establishment of the railways, and to the established business and the good will connected with its business which has been established through a long series of years; and all of which ought reasonably to be considered in fixing the value of the property and the capitalization upon which, at least, it is entitled to earn, and should pay, some returns by way of interest or dividends.

Again the court said (not quoted by the Commission):

The particular location of this road, of course, cannot be reproduced, and it cannot be appropriated by another private or quasi-public corporation carrier by the exercise of the State's power of eminent domain. And, even if the State should proceed to expropriate this property for the purpose of taking the same to itself for public use, the location of this road cannot be appropriated, any more than any other property right of a natural person or of a corporation can be appropriated, without just compensation. It is therefore not only impracticable, but impossible to reproduce this road, in any just sense, or according to any fair definition of those terms. And a system of rates and charges that looks to a valuation fixed on so narrow a basis as that shown to have been adopted by the Commission, and so fixed as to return only a fair profit upon that valuation, and which permits no account for betterments made necessary by the growth of trade, seems to me to come clearly within the provision of the Fourteenth Amendment to the Constitution of the United States, which forbids that a State shall deprive any person of property without due process of law, or deny any person within its jurisdiction the equal protection of the laws.

The Commission, in estimating the value of these roads, say that they included interest on the money invested during the period of construction. This is somewhat vague, but the "period of construction" mentioned is probably limited to the time when each section of the road was opened to the public for business. And even if extended to the time when the road was completed to Denison and to Austin in 1873, nearly twenty years after its construction was begun at Houston, it would not cover all of the time, and possibly not nearly all of the time, in which the railroad company and its predecessors have lost interest on the investment. The estimate made on behalf of the railroad in this case of the cost to that company and to its predecessor company of the railroad property, and the business of that company as it exists to-day, may not be exactly accurate—clearly is not exactly accurate; but it seems to me that it is not beyond the fair value of the property, as it is shown to have been built up and constituted, and to exist to-day as a going business concern, and that such rates of fare for the carriage of persons and property as are reasonable, considered with reference to the cost of the carriage and the value of the carriage to the one for whom the service is rendered, cannot be reduced by the force of State law to such a scale as would appropriate the value of this property in any measure to the use of the public without just compensation to the owners thereof, and would deprive the owners thereof of the equal protection of the law guaranteed by the Constitution of the United States, as cited.

It seems to be contended that the case of the Houston & Texas Central Railroad Company fully justifies the action of the Commission in its imposition of a system of rates, because, as it is urged, it has made earnings over and above operating expenses sufficient to pay the interest on its outstanding bonds, and has a small surplus of a few thousand dollars in excess, as shown by its return to the Commission of the operations of the year ending the 30th of June, 1898; in other words, it has paid interest on \$34,000 of bonds to the mile. The return referred to is made on forms submitted by the Commission and under the item of "operating expenses" only ordinary repairs and replacements are allowed. In case an insufficient wooden bridge is replaced by an adequate iron bridge, that is treated as a betterment, and not permitted to figure in the returns as part

of the operating expenses. The bill and cross-bill show that, if such betterments, which can only be made or procured out of the earnings of the road, were allowed in the return of operating expenses, the revenue earned and rendered as net revenue would not have been equal, by several hundred thousand dollars, to the interest on the bonded indebtedness; that the bonded indebtedness outstanding against this road being in excess of the value fixed by the Commission, to the extent of more than 50 per cent, the company has no means of providing for such betterments, if not at all allowed to charge them at any time against the gross earnings of the road. More than this, it is shown that the road has never at any time paid any dividend upon its stock. On the whole case, as made in the case of the Houston & Texas Central Railroad Company, it seems clear to me that the system of rates adopted and enforced by the Commission does not afford to the owners of this property the equal protection of the law, and takes from the owners and stock-holders the property they have therein without just compensation, and that therefore the rates must be held to be unreasonably low, unjust and confiscatory, and should not be submitted to, and cannot be suffered to be enforced. . . . Therefore the prayer of the bill in each case is granted.

In commenting on the language of Judge McCormick, the Interstate Commerce Commission says:

The decision appears to rest upon the error found by the court in the Commission's valuation and the fact that the rates were fixed by the Commission so as to afford only a fair return on such valuation. The terms "established business" and "good-will" seem to be matters which have not heretofore been expressly mentioned as having weight in cases of this kind.

It must appear to all fair-minded persons who are at all familiar with the decisions of the Federal, Supreme and inferior courts, that in all cases between the corporations and the people these courts favor the corporations. Their decisions in many of the cases read like the special pleas of hired partisan attorneys. Some years ago the Supreme Court of the United States, in violation of law, usurped the

right to pass on the reasonableness of State laws; in doing which the court established a precedent that has since been followed by it and all other Federal courts. The Supreme Court of the United States has, in a great number of cases, decided that each State has the right to protect its citizens from unjust railroad rates, but as soon as a State attempts to enforce what the State legislature believes to be just rates, a Federal court in almost every instance, especially in Western States, steps in and declares the rates as fixed by the State law to be unreasonable. While the Supreme Court does not hesitate to say that certain rates are unreasonable, as in the "Nebraska Rate Case," it refuses to say what would be reasonable rates in any case, thus leaving it within the power of that court to declare any and all rates fixed by the State unreasonable, if opposed by the corporations. The State of Texas, under the provisions of a law of that State duly and legally enacted and free from all constitutional objections, employed expert engineers and ascertained and fixed the exact value of every mile of railroad in that State, and in order to do full justice to the roads, gave each company notice and allowed it 50 days within which to object to the valuation as fixed by the State, and show wherein the same was in any manner unjust or unfair. Not a company in the State objected to the valuation as fixed by the State, and the same became a law by which the railroad company and all other persons should have been bound in any court of law and justice. Had any railroad company in the State believed the valuation of its road to be too low or in any way unjust, it was bound to appear before the Railroad Commission of the State and ask to have the valuation corrected; had the Commission refused to make such corrections as the road off-



cialists proposed, the company was then privileged to go into the courts and compel a just valuation of its property; failing to do this, the company was bound by the State's valuation. The Texas law was enacted for the purpose of exercising and enforcing the "police power" of the State in local matters, in which the State has undisputed jurisdiction. It is free from any constitutional objection, and therefore the control of the railroads under its provisions was by "due process of law." It applies equally to all railroads in the State of Texas, each one of which is therefore afforded "the equal protection of the laws." When the case went before Judge McCormick on the ground of too low a valuation by the State—and that was the ground upon which he decided the case—it was his plain, sworn duty to refuse the restraining order and dismiss the case; he had no jurisdiction to investigate the subject of valuation, he simply usurped the power, at the instigation of some railroad companies; to set aside and render null and void a valid law enacted by the 3,000,000 people of the great State of Texas. Judge McCormick did not say—did not dare to say—that the value of the physical parts of the road was more than \$21,186 per mile, as fixed by the State; the company had admitted that fact and the Judge had to admit it, but he nullifies it by holding the valuation to be on too narrow a basis, and arbitrarily raises the value of the road to \$62,000 per mile by adding to the State valuation \$40,814 per mile; enough to more than twice duplicate the road, at the time the decision was rendered, for the items of "established business" and "good-will" that had been omitted in the State's calculations. Here we have a positive decision from the court to the effect that railroads have the right to earn interest and dividends on the *good-will* the pub-

lic owes them. "Good-will"? No one who reads the decision will have any doubt as to the identity of the man whose "good-will" was one of the assets of the road, of the value of about \$21,000 per mile, leaving the other \$20,000 per mile to be covered by "established business" that was theretofore supposed to have been offset by the State's grant of 5,240,000 acres of land, a tract larger than the State of Massachusetts, and large private donations to the company, as an inducement to establish the business. Judge McCormick complains that, while the bond-owners of the road have been drawing interest on \$34,000 per mile, leaving "a small surplus of a few thousand dollars in excess," the stockholders have received no dividends. Now it appears by the Statistics of Railways in the United States for 1897, published by the Interstate Commerce Commission, and based on the reports furnished by the railroad companies, that for the year ending June 30, 1897, the bond-owners of the Houston & Texas Central Railway received interest on \$16,204,420, being an average of \$35,807 per mile at the rate of 4.97 per cent, which is nearly 8½ per cent clear of all expenses on \$21,186 per mile, the true value of the road. The legal rate of interest in the State of Texas is 6 per cent, while not to exceed 10 per cent may be received by special agreement. The people of the State of Texas never agreed to pay any particular per cent of interest on the value of the railroads, and therefore 6 per cent on the value of their roads is all or more than the companies are entitled to receive, and that is all or more than they should be paid. Again the Judge complains and says: "The Commission, in allowing interest during the period of construction, probably limited the time of construction to the time when each section of the road was opened to the

public for business," and intimates that interest should have been allowed for nearly 20 years before 1873, as that number of years would not cover "nearly all the time in which the company and its 'predecessors' have lost interest on the investment." The court seemed to think that the present company is entitled to collect all that its predecessor failed to get. The people of Texas ought to be thankful to a merciful Providence that the "predecessor" did not have a "predecessor" who had a "predecessor" who bought the road from a party who got it by descent, for the court might have taken judicial knowledge of the losses suffered by each of the "predecessors" and have given the present company the right to collect the delinquent interest and dividends from the present patrons of the road. The good judge's sympathy for the "predecessors" reminds one of Mark Twain's grief at Adam's grave. It will be well for the judge's mental health if his sympathies remain steadfast and do not take a tack and cause him to brood over the losses on investments that the farmers and stockmen of Texas suffered during the Civil War, and that they have since suffered from northers, and droughts, and cloud-bursts, and low prices, and corporation extortion, and the thousand unlucky ventures that speculation is heir to. The facts concerning the lamented "predecessor" are as follows: The corporation, having been organized under the name of the Houston & Texas Central Railway Company, received a grant of 5,240,000 acres of land from the State of Texas, and in 1856 constructed 26.29 miles of road. At the end of 1860 the company had completed 102.28 miles of road, that, judging from the topographical features of the country through which it is built, could not have cost more than \$21,819 per mile, as shown in Table No. 10. No doubt it

cost much less than that per mile. From 1867 to 1870, inclusive, 99.57 miles of road were constructed, iron rails of the weight of 56 pounds per yard being used. The first steel rails used on the road were laid in 73 miles of track in 1879. (See page 502, Vol. 4, (Transportation) Census of 1880.) The 201.85 miles of road completed at the end of 1870, after the extremely high prices for iron and steel were past, did not cost the company more than an average of \$27,699 per mile, and probably not over \$21,000 per mile. The entire line was finished in 1876, at which time the construction and equipment of the entire line could not have cost more than \$14,496,607.39, or, based on the then 512.36 miles of main line, \$28,293.79 per mile. The grant of 5,240,000 acres of land from the State contained some as good land as is to be found in Texas, and if the company sold the entire tract at the average rate of \$2.77 per acre, the money thus obtained more than paid for the construction and equipment of the road. In 1880 the liabilities of the company, including stock, funded and floating debts, were \$31,339,855.08, which amounted to \$57,256.38 per mile for every mile of the 547.36 miles of main line, second, third, fourth, if any, and yard and side track. With such a debt, the company failed in making payment on some of its obligations, and under the terms of a decree of foreclosure by the United States Circuit Court, entered May, 1888, 453 miles of the main line, together with yard and side tracks of the company's road, were sold at public auction to one Frederic P. Olcott, and the sale was confirmed by the Circuit Court in December, 1888; and thereafter on August 1, 1889, the present company was organized under the laws of the State of Texas. Such being the facts in the case, what possible right could the present company have to go back and collect

interest that its "predecessor" failed to collect during the Civil War, while the road was being used by the Confederate Government? In rendering his decision, the good judge overlooked some of the provisions of the much-relied-upon and hard-worked Fourteenth Amendment to the Constitution:

But neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States.

And that means the people shall not be forced to pay such debts. To the man behind the plow that clause would seem to contain no exception in favor of corporations, though doubtless some of the Federal judges so "interpret" it as to find one. After their victory in Judge McCormick's court, the corporations saw "the colored gentleman in the wood-pile," and compromised the case by substantially adopting the rates fixed by the Texas Commission. The case should have been appealed, and the Supreme Court of the United States forced to put itself upon record on the question of valuation.

## CHAPTER IX.

Why the States do not control their railroads.—Prosperity taken under the power of eminent domain does not become the private property of the corporation exercising the power.—Decision of Justice Paterson,—Decisions in *Bloodgood vs. Mohawk & Hudson River Railroad Co.* and *Turner vs. Althouse.*—Opinions of Judge Sedgwick, Chief-Justice Savage and Senator Tracy as to right to take private property under the power of eminent domain, for private use.—Opinions of Chief-Justices Waite and Fuller as to duty of the State to control the railroads within its jurisdiction.—Federal judges to the number of 103 exercise discretion to set aside any State law at any time of the day or night.—States in worse position now than when they were Territories.—False interpretation placed on Section 1 of the Fourteenth Amendment to the Constitution.—Language of Mr. Justice Brown concerning that amendment.—Opinion of Professor Greenleaf and Chief-Justice Lewis as to right of the legislature to bargain away the sovereign power of the State.—How the adoption of the Fourteenth Amendment was procured.—Section 1 of the Amendment ignored by the Government except for the benefit of corporations.—Corporation tools rewarded by being placed on the Federal bench and in the United States Senate.—Evils of present methods in selecting Federal judges and senators; they should be elected by popular vote.—Section 1 of the Fourteenth Amendment should be amended by a clause declaring that the word “person” does not mean “corporation.”

No State in the Union controls the railroads within its borders, although the Supreme Court of the United States has repeatedly decided that each State has, under its reserved rights, that power. In their decisions the State courts have generally upheld the constitutionality of State laws enacted for the purpose of controlling railroads within

their respective jurisdictions. The Federal courts have almost unanimously declared all State laws enacted for the purpose of controlling fares and freights on the railroads to be unconstitutional. All Federal courts invariably refer to the railroads as being the property of the stockholders of the roads, regardless of the facts that the power of eminent domain was exercised in their construction, and that they are bonded for much more than it cost to construct them and for \$2,084,074,742 more than they are worth. The stockholders may be the subjects of some European State, and may never have taken any part in the incorporation or construction of the roads; they may have bought their stock for a few cents on the dollar, knowing that it represented no investment in the roads, still the roads are their property, say our Federal courts, subject only to the mortgage lien of the bond-owners. The Federal courts do not in plain language say that the railroads are the private property of the stockholders of the roads, but in all their decisions they talk about taking the property of the corporation for the use and convenience of the public, without allowing the corporation just compensation for its use. They cite the constitutional provision, "nor shall private property be taken for public use without just compensation," which is not in point when applied to railroads built by the exercise of the power of eminent domain, for they are not the private property of the stockholders of the company, nor are they the private property of the bond-owners of the companies, who simply have a mortgage lien to secure the repayment of the money paid for the bonds, together with the agreed interest. The true construction under the constitutional provision is: "Private property taken under the power of eminent domain for a public use becomes, at the time of the taking, pub-

lic property, subject only to a lien for repayment to those who furnished the money for its purchase from the private owner.”

The corporation, in exercising the power of eminent domain, in the construction of a railroad, does so with all the restrictions that are placed upon the State. It exercises a delegated power, and is subject to and bound by all the conditions and limitations of the constitution of the State. If the State itself had directly exercised the power of eminent domain instead of delegating that power to the corporation, the property so taken would have at once become the property of the State, or public property. The State cannot take the property of one person and give it to another. The State can delegate no greater power than it possesses. If, then, the State has no power to take the property of any person and give it to a corporation, how can it authorize a corporation to take private property under the power of eminent domain, and make it the private property of the corporation? In its construction of the Fourteenth Amendment of the Constitution of the United States, the Supreme Court of the United States has again and again decided that, within the meaning of that Amendment, corporations are persons, and citizens of the States within which they are organized.\*

There are many dissenting opinions as to the soundness of such decisions, but corporation judges and lawyers have forced and maintained that construction. The following are a few of the many decisions of able judges, as to the power of the State to take the property of one person and give it to another:

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\* (See *Pembina Mining Co. vs. Pennsylvania*, 125 U. S., page 181.)



It is, however, difficult to form a case in which the necessity of a State can be of such a nature as to authorize or excuse the seizing of landed property belonging to one citizen, and giving it to another citizen. . . . Where is the security, where the inviolability of property, if the legislature by a private act, affecting particular persons only, can take land from one citizen, who acquired it legally, and vest it in another?

(Justice Paterson in *Vanhorn vs. Dorrance*, pp. 311 and 312, 2 Dallas (U. S.) Reports.)

Justice Paterson was an Associate Justice of the Supreme Court of the United States from 1793 to 1806, and his decisions are to this day constantly quoted as being among the soundest rendered by the eminent judges of that court.

It cannot be a rightful attribute of sovereignty in any government professing to be founded upon fixed laws, however despotic the form of government might be, to take the property of one individual, and bestow it upon another. The possession and exercise of such a power would be incompatible with the nature and object of all government; for, it being admitted that a chief end for which government is instituted is that every man may enjoy his own, it follows necessarily that the rightful exertion of a power by the Government, of taking arbitrarily from any man what is his own, for the purpose of giving it to another, would subvert the foundation principle upon which the Government was organized, and resolve the political community into its original chaotic elements, even though compensation be made.

(*Bloodgood vs. Mohawk & Hudson River Railway Co.*, 18 Wend. (N. Y.) 56; *Embury vs. Connor*, 3 N. Y. 511, 517; *Taylor vs. Porter*, 4 Hill (N. Y.) 140.)

The private property of a citizen cannot, by the exercise of legislative power in any form, be taken from him and given to another, or to a corporation. Such an act would deprive the citizen of his property without due process of law.

(*Turner vs. Althaus*, 6 Neb. 541, 1877.)

If the brief and sweeping clause, "Private property shall not be taken for public use without just compensation," be made to express the modifications which construction has inserted in it and

added to it, it will stand nearly as follows: Private property shall in no case be taken for private use. Private property may be taken for public use in the exercise of the general police powers of the State, or of taxation, without making compensation therefor. And the power of taxation includes the power of charging the expense of local improvement exclusively upon those immediately benefited thereby. Private property may also be taken for public use in the exercise of the power of eminent domain, but not without just compensation being made or provided for before the taking is absolutely consummated. The right to compensation, however, does not attach in cases where the value of property is merely impaired and title to it not divested; nor does it exist in cases where the right to the property taken is not absolutely vested at the time of the legislative act affecting it. This is substantially the form that the constitutional provision has assumed in the hands of the courts; and upon a careful examination of the process by which this result has been arrived at, it must be admitted that in practice our constitutional guarantees are very flexible things, and that the judicial power exerts an influence in our system which makes the subject of interpretation one of the first magnitude.

(Sedgwick, Stat. and Const. Law, 533-534.)

This decision went mainly upon the application contained in the last member of the clause of Sec. 7 of Art. VII. of the Constitution (of New York) of 1821: That "no person shall be deprived of life, liberty, or property, *without due process of law*; nor shall private property be taken for public use without just compensation." Chief-Justice Savage said: "The Constitution, by authorizing the appropriation of private property to public use, impliedly declares that private property shall not be taken from one and applied to the private use of another." In *Bloodgood vs. the Mohawk & Hudson River Railroad Company*, 18 Wend. (N. Y.) 59, Mr. Senator Tracy said the words should be construed, "as equivalent to a constitutional declaration that private property, without the consent of the owner, shall be taken *only* for the public use, and then only upon a just compensation."

(Note page 586, Dillon's Municipal Corporations.)

The above citations contain the correct principles of law under which the State may exercise the power of emi-

ment domain and it follows that as the State cannot, neither can any person or corporation having the delegated power of eminent domain, in the exercise of that power, take the private property of one person and make it the private property of another person or of a corporation. The true status of all railroads in the construction of which the power of eminent domain was exercised is this; they at once became and have remained public highways and public property, subject to the claims of those who furnished the money for their construction, for repayment. The words "advantage," "benefit," "profit," "purpose" and "service" are synonyms of the word "use" as it is used in this clause of the Constitution, and any one of the five words might be substituted for the word "use" without in any manner weakening the force of the clause; as, Private property shall not be taken under the power of eminent domain for public advantage, for public benefit, for public profit, for public purpose, for public service, without just compensation; or, expressed in the modified form, Private property shall in no case be taken under the power of eminent domain for private advantage, for private benefit, for private profit, for private purpose or for private service. If private property can in no case be taken by the power of eminent domain for private advantage, benefit, profit, purpose, service or use, can private property be taken under the power of eminent domain partly for public and partly for private advantage, benefit, profit, purpose, service or use? and if it can, what portion of the advantage, benefit, profit, purpose, service or use must accrue to the public, and what portion may be retained by the private party, in the legal exercise of the power? Is it not, in fact, taken for private use when *private* property is taken under the power of eminent

domain for the purpose of constructing a railroad which when finished is stocked and bonded for \$108,552 per mile, which is more than four times as much as the road is worth, and on which the stockholders and bond-owners get annually 7 per cent in dividends and interest clear of all expenses, all of which the patrons of the road are forced to pay, as in the case of the Pittsburg, Fort Wayne & Chicago Railway? or as in the case of the New York, New Haven & Hartford Railroad, which is stocked and bonded for \$159,947 per mile, which is more than five times as much as the road is worth, on which the annual dividends and interest amount to 7.69 per cent, all of which is paid by the patrons of the road. Hundreds of similar instances might be mentioned. Does the fact that the charters of these companies authorize and require them to carry passengers and freight, without which these enormous collections could not be made from the people, make the use of these roads under such circumstances any the less a private use?

When the State delegates to a corporation the sovereign power of eminent domain for the purpose of constructing a railroad, and then fails, neglects, refuses, or is enjoined by a Federal court from fixing such rates as will insure only a reasonable interest on the value of the road, but permits or is forced by the Federal courts to allow the corporation to collect from the people, for using the road, four or five times the legal rate of interest on the value of the road, the power of eminent domain has, in fact, been exercised, and private property taken, for private use, and for the purpose of enabling the corporation to levy black-mail on the people.

Under such circumstances the private property taken under the power of eminent domain can in no just sense

be said to be taken for a public use; it is the ultimate use, not the nominal purpose of the taking, which must decide whether or not the use is public. There are other modifications of this clause of the Constitution which reads as follows: "Private property shall under no circumstances be taken under the power of eminent domain and used to the injury of the public." "Private property, when taken under the power of eminent domain, must be used for the benefit, not the injury of the public."

The claims of the corporations that the railroads are their private property are false; the judgments of courts recognizing the railroads as the private property of the corporations are unsound if not corrupt. Railroads are simply improved public highways; the land necessary for their location is obtained, if need be, in the same way the land for other public highways is obtained, by the exercise of the power of eminent domain, and they should be as much subject to the control of the people as other public roads are.

The following summary, taken from page 97 of the Report of the Interstate Commerce Commission for the year ending June 30, 1898, shows the number of persons that were killed and the number that were injured by the railroads in the United States from June 30, 1888, to June 30, 1898, and the remarks by the Commission concerning the list for the year 1898:

The aggregate number of persons killed during the year covered by this report was 6,859, and the number injured was 40,882. Not since 1893 has the number of railway casualties been as great as during the year covered by this report. Of the aggregate given above, the number killed assignable to "other persons"—that is to say, persons other than employees and passengers—was 4,680, and

the number injured was 6,176. No comment, however, is possible respecting these latter figures.

TABLE NO. 24½.—Comparative Summary of Railway Accidents for the Years Ending June 30, 1898 to 1888.

Year.	Employees.		Passengers.		Other Persons.		Total.	
	Killed.	Injured.	Killed.	Injured.	Killed.	Injured.	Killed.	Injured.
1898.....	1,958	31,761	221	2,945	4,680	6,176	6,859	40,882
1897.....	1,693	27,667	222	2,795	4,522	6,269	6,437	36,731
1896.....	1,861	29,969	181	2,873	4,406	5,845	6,448	33,687
1895.....	1,811	25,696	170	2,375	4,155	5,677	6,136	33,748
1894.....	1,823	23,422	324	3,034	4,300	5,433	6,447	31,889
1893.....	2,727	31,729	299	3,229	4,320	5,435	7,346	40,393
1892.....	2,554	28,267	376	3,227	4,217	5,158	7,147	36,652
1891.....	2,660	26,140	298	2,972	4,076	4,769	7,029	33,881
1890.....	2,451	22,396	286	2,425	3,598	4,206	6,335	29,027
1889.....	1,972	20,028	310	2,146	3,541	4,135	5,823	26,309
1888.....	2,070	20,148	315	2,138	2,897	3,602	5,282	25,888

Private convenience, safety, and life, if need be, must all be sacrificed for the public good, but the welfare of the State does not require its citizens to make such sacrifices for the benefit of the corporations and trusts that are public enemies. The above summary shows that during the eleven years from June 30, 1888, to June 30, 1898, 71,289 persons were killed and 374,087 were injured by the railroads in the United States that the corporations might earn interest and dividends on their over-capitalization. Under the rulings of the Federal courts, these thousands were killed and tens of thousands of cripples were made each year, not because of public necessity, but for the advantage of private parties; for when the corporations are permitted to earn four or five times a reasonable rate of interest on the value of the railroads, the roads are not operated for the public good, but to satisfy private greed.

The Federal courts, while reiterating the principle that the States have the right to control the railroads within their borders, have, in nearly every instance, declared uncon-

stitutional the State laws that have been enacted for the purpose of securing honest railroad regulation and control. The following language was used by Chief-Justice Fuller:

The governmental power of self-protection cannot be contracted away, nor can the exercise of rights granted, nor the use of property, be withdrawn from the implied liability to governmental regulation in particulars essential to the preservation of the community from injury. . . . A power reserved to the legislature to alter, amend, or repeal a charter authorizes it to make any alteration or amendment of a charter granted subject to it, which will not defeat or substantially impair the object of the grant, or any right vested under it, and which the legislature may deem necessary to secure either that object or any public right. . . . The conclusions of this court have been repeatedly announced to the effect that though railroad corporations are private corporations as distinguished from those created for municipal and governmental purposes, their uses are public, and they are invested with the right of eminent domain, only to be exercised for public purposes; that therefore they are subject to legislative control in all respects necessary to protect the public against danger, injustice, and oppression; that the State has power to exercise this control through boards of commissioners.

(New York & New England R. R. Co. *vs.* Bristol, 151 U. S., p. 556.)

If it be true, as above stated, that the governmental power of self-protection cannot be contracted away, nor can the exercise of rights granted, nor the use of property, be withdrawn from the implied liability to governmental regulation in particulars essential to the preservation of the community from injury, how can it be necessary for the legislature, in providing for the incorporation of a company under either a special or general law, to reserve to itself in the act the power to alter, amend or repeal the charter in particulars essential to the preservation of the community from injury, or of securing the rights belonging to the public?

One of the ablest chief-justices that ever sat upon the bench of the Supreme Court of the United States said as follows:

It is now settled in this court, that a State has power to limit the amount of charges by railroad companies for the transportation of persons and property within its own jurisdiction, unless restrained by some contract in the charter or unless what is done amounts to a regulation of foreign or interstate commerce. This power of regulation is a power of government continuing in its nature, *and if it can be bargained away at all*, it can only be by words of positive grant or something which is in law equivalent. If there is any reasonable doubt, it must be resolved in favor of the existence of the power. In the words of Chief-Justice Marshall, in *Providence Bank vs. Billings*, 4 Pet. 514-561, its abandonment ought not to be presumed in a case in which the deliberate purpose of the State to abandon it does not appear.

(Chief-Justice Waite, in delivering the opinion of the court in *Stone vs. Farmers' Loan and Trust Company*, 116 U. S., p. 307.)

It will be noticed that Chief-Justice Marshall was speaking of the right of the State as applied to a banking corporation, not as to a public highway. Chief-Justice Waite strikes the key-note when he says, "*and if it can be bargained away at all*," which plainly indicates that he doubted that the State could bargain away the right.

The decisions delivered by Chief-Justices Waite and Fuller read all right and seem to settle beyond dispute the right of a State to fix rates for the carriage of passengers and freight by railroads within its jurisdiction, but the sad fact is, that when read by the light of later decisions of the Supreme and Circuit Courts of the United States, the language used in these two decisions seems to be merely high-sounding glittering generalities, simply buncombe. The judgments in *Smith vs. Ames* and the *Metropolitan Trust Company vs. Houston & Texas Central Railroad* go into



particulars and tell us how "It is now settled in this court that a State has power to limit the amount of charges by railroad companies for the transportation of persons and property within its own jurisdiction, unless restrained." The decision might well have stopped at the word "restrained," for the State is always "restrained" from the exercise of the power that Chief-Justice Waite said belonged to it, by an order from some one of the 103 Federal judges who exercise the power of suspending the execution of State laws by a "restraining" order issued at the *discretion* of the particular judge to whom the corporation applies for the order. The Federal judges derive their authority to restrain and enjoin the execution of State laws from the interpretation those judges have placed on Section 1 of the Fourteenth Amendment to the Federal Constitution and from Section 718 of the United States Statutes, which reads as follows:

Sec. 718. Whenever notice is given of a motion for an injunction out of a circuit or district court, the court or judge thereof may, if there appears to be danger of irreparable injury from delay, grant an order restraining the act sought to be enjoined until the decision upon the motion, and such order may be granted with or without security, in the DISCRETION of the COURT or JUDGE.

One of the greatest minds that ever inhabited a mortal body had this to say concerning "the discretion of the judge":

THE DISCRETION OF A JUDGE IS SAID TO BE THE LAW OF TYRANTS; IT IS ALWAYS UNKNOWN; IT IS DIFFERENT IN DIFFERENT MEN; IT IS CASUAL AND DEPENDS UPON CONSTITUTION, TEMPER AND PASSION. IN THE BEST IT IS OFTENTIMES CAPRICE; IN THE WORST IT IS EVERY VICE, FOLLY AND PASSION TO WHICH HUMAN NATURE IS LIABLE.

(Bacon's Apothegms.)

What would have been the fate of the Constitution of the United States if, during the discussion of its provisions by the people, prior to its adoption, it had been known that the supreme and other courts provided for therein could, by their interpretation of an amendment thereto, apparently intended to secure the liberty and civil rights of the people, take away from them the right of self-government, and establish the reign of 103 Federal judges (tyrants) appointed to office for life on account of services rendered by them to political parties, or to private corporations whose interests oppose those of the people? At the time of the adoption of the Fourteenth Amendment to the Constitution, the people were told and believed that the provisions of Section 1 of the Amendment were intended solely for the purpose of securing the political rights of the negroes in the Southern States. That it has been employed for a purpose totally different from that for which it was intended is admitted by the Supreme Court. The following language was used by Mr. Justice Brown:

The Fourteenth Amendment (to the Constitution of the United States), which was finally adopted July 28, 1868, largely expanded the power of the Federal courts and Congress, and for the first time authorized the former to declare invalid all laws and judicial decisions of the States abridging the rights of citizens or denying them the benefit of due process of law.

This amendment was first called to the attention of this court in 1872, in an attack upon the constitutionality of a law of the State of Louisiana, passed in 1869, vesting in a slaughter-house company therein named the sole and exclusive privilege of conducting and carrying on a live-stock landing and slaughter-house business, within certain limits specified in the act, and requiring all animals intended for sale and slaughter to be landed at their wharves or landing places. *Slaughter-house Cases*, 16 Wall. 36. While the court in that case recognized the fact that the primary object of this amendment

was to secure to the colored race, then recently emancipated, the full enjoyment of their freedom, the further fact that it was not restricted to that purpose was admitted both in the prevailing and dissenting opinions, and the validity of the act was sustained as a proper police regulation for the health and comfort of the people. A majority of the cases which have since arisen have turned not upon a denial to the colored race of rights therein secured to them, but upon alleged discriminations in matters entirely outside of the political relations of the parties aggrieved.

This decision was rendered February 28, 1898, in *Holden vs. Hardy*, 169 U. S., p. 382. The corporations, besides relying upon Section 1 of the Fourteenth Amendment to prevent State control of railroads, also rely upon getting from the courts such a construction of the language used in many of their charters as will prevent the State from exercising its police power in matters concerning the roads; as in the cases of special charters granted to the railroad companies by the State, giving them the right to construct a railroad, and "to establish reasonable rates for the carriage of passengers and freight," or "to fix such rates as it may think reasonable," etc., and without reserving to the State the right to alter, amend or repeal the charter. In all such cases the corporations contend that the charter is a contract between themselves and the State, and that any attempt on the part of the State to control rates, or in any manner to alter or amend the charter without the corporations' consent is a violation of their charter rights, against which they are entitled to the protection of the courts; or, in other words, the corporations claim that an ignorant or corrupt temporary legislative body can sell, bargain or give away the sovereign power of the State, so as to bind future legislative bodies. In this contention the corporations have often met with defeat in the State courts, but,

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under the benign provisions of Section 1 of the Fourteenth Amendment, the Federal courts have usually afforded them the desired protection. Upon this point Professor Greenleaf says as follows:

It is with great deference submitted, that an important distinction should be observed between those powers of government which are essential attributes of sovereignty, indispensable, to be always preserved in full vigor, such as the power to create revenues for public purposes, to provide safe and convenient ways for the public necessity and convenience, and to take private property for public uses, and the like; and those powers which are not thus essential, such as the power to alienate the lands and other property of the State, and to make contracts of service, or of purchase and sale, or the like. Powers of the former class are essential to the constitution of society, as without them no political community can well exist; and necessity requires that they should continue unimpaired. They are entrusted to the legislature to be exercised, not to be bartered away; and it is indispensable that each legislature should assemble with the same measure of sovereign power which was held by its predecessors. Any act of the legislature, disabling itself from the future exercise of powers entrusted to it for the public good, must be void, being in effect a covenant to desert its paramount duty to the whole people.

(Greenleaf's Cruise's Digest of the Law of Real Property, Vol. II., tit. 27, § 29, in note pp. 67, 68.)

Professor Greenleaf's opinion is supported by innumerable decisions, such as the following by Chief-Justice Lewis, of Pennsylvania, in June, 1857:

The State legislature, in the absence of any express constitutional authority, has no power to sell, surrender, alienate or abridge any of the rights of sovereignty, such as the right of taxation, so as to bind future legislatures, and any contract to that effect is void.

(Penn. Canal Commis vs. the Penn. Railway Co.)

After reading such opinions and decisions, one must conclude that if the legislature cannot, by its declared in-

tention and express agreement, bargain away the sovereign power of the State, that a failure to reserve it in strict terms, in the ordinary act of granting a charter, for the purpose of forming a domestic corporation, cannot deprive the State of that power. Then arises the question, the State having the power, and it being its duty to regulate and control the railroads within its jurisdiction, Why is it that in no State in the Union is that power and duty fully and properly exercised? Mr. Justice Brown has answered the question in *Holden vs. Hardy*. It is because of Section 1 of the Fourteenth Amendment to the Federal Constitution, which by the interpretation placed upon it by the Federal courts, takes away from the States the power to regulate their domestic affairs, and gives to an army of Federal judges discretionary power to suspend the execution of and to declare null and void legally enacted State laws for the regulation and control of the railroads within the State.

The several States of the Union will never be able to control the railroads within their respective jurisdictions, and to properly exercise the police power which belongs to them, while the Federal courts and judges have the power to declare invalid, on the ground of unreasonableness, the legally enacted State laws, which they now exercise because, as Justice Brown says, of Section 1 of the Fourteenth Amendment. The Fourteenth Amendment was procured by unfair means, it was prepared and submitted to the people just after the close of the Civil War, when bitter sectional hatred existed. When first submitted, it was adopted by 23 Northern States and rejected by 13 what were then "border" and Southern States, and not acted on by California. At that time many soldiers of the Regular Army were stationed in the South, and the Southern country was

overrun by Northern carpet-baggers. There being only 23 out of the then 37 States in favor of its adoption, the amendment was rejected, but, after much pressure had been brought to bear on the South, 10 more States adopted the amendment, making 33 States in all, and, as that was more than the required three-fourths of the States, the amendment was proclaimed July 28, 1868. By some of the provisions of Section 1 of the Fourteenth Amendment, the Northern politicians and carpet-baggers expected to force negro domination on the white people of the South, but their hopes in that direction were blasted. Immediately after the close of the war, the ex-Confederates took up "the white man's burden" and have managed to "tote" it ever since. Section 1 of the Fourteenth Amendment reads as follows:

1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States. [Nor shall any State deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws.]

So far as that portion of Section 1 which is above enclosed in brackets is concerned, there was no necessity for such an amendment to the Federal Constitution. The constitution of every State in the Union has the same or similar provisions, guarding the citizen against a deprivation of life, liberty or property without due process of law, and against a denial of the equal protection of the laws. We have seen in the cases above cited that as early as 1821 the Constitution of New York contained the provision, "No person shall be deprived of life, liberty or property without due process of law." The word "person" occurs 25 times and the word

“persons” 11 times in the Federal Constitution; but nowhere in that document, where either word is used, does the context admit of a construction or interpretation that will make the word “person” or “persons” mean “corporation” or “corporations.” The “persons” referred to in the Fourteenth Amendment to the Constitution are persons who are born and can be naturalized. If, in the construction of the Fourteenth Amendment, the word “person” had been declared to mean just what Justice Brown says it was intended to mean—a natural person, not a corporation—its adoption, while unnecessary, would have worked much less harm; however, when applied to natural persons, the interference of the Federal courts only tends to delay, not defeat, the jurisdiction and judgments of the State courts. When a man is convicted in a State court on a charge of murder, or in some of the States on a charge of highway robbery, and sentenced to be hung, and takes an appeal to the Federal court, on the ground that some provision in the criminal procedure of the State deprives him of some constitutional right, the Federal court usually says: “The court has carefully examined the record in this case, and finds that the defendant has been legally convicted, according to the criminal law and procedure of the State of ————. The Supreme Court of that State having heretofore declared Section — to be free from constitutional objections, we see no reason for dissenting from that opinion.” The appeal is dismissed, and the man goes to his death. Not a word has been said about the “reasonableness” of the law. On the other hand, the State of Texas attempts to restrict the net earnings of a railroad—a public highway—to such sum as will pay annually 8½ per cent on the actual value of the road, and leave a few thousand dollars surplus. The Federal

court, at the instance of the corporation, at once enjoins the enforcement of the State law, not on the ground of a want of "due process of law," or of a denial of the "equal protection of the laws," but because the court finds that the rates fixed by the State are "UNREASONABLY LOW, UNJUST AND CONFISCATORY, AND DEPRIVE THE OWNERS AND STOCKHOLDERS OF THEIR PROPERTY WITHOUT JUST COMPENSATION," and this while the legal rate of interest in Texas is 6 per cent. It is a shameful fact, known by almost every man, woman and child in the United States, that during the year 1898 negroes were shot, hung and burned in some of the States, because accused of crime, without any attempt at a legal trial, and the Federal Government, when appealed to, has flatly refused to attempt to punish these gross violations of the Fourteenth Amendment. A negro postmaster is murdered in his office because he is a Federal office-holder, another negro is roasted alive, and when the Attorney-General of the United States is appealed to for redress, he says there is "NO FEDERAL QUESTION INVOLVED." A government by injunction is not the republican form of government guaranteed to each State by Section 4, Article IV. of the Federal Constitution. Under the construction placed upon Section 1 of the Fourteenth Amendment by the Federal court, the States are deprived of a republican form of government. It is impossible to maintain "a government of the people, by the people, for the people," while each one of the 9 judges of the United States Supreme Court, 22 judges of the United States Circuit Court and 72 judges of the United States District Court is vested with discretionary power to suspend, at the command of the trusts and combines, the execution of any State law, at any hour of the



day or night. These 103 judges are placed above all law, written or unwritten; not by the people, but by their own construction of the plain, simple word "person" used in a sentence that admitted of no construction.

The tools of corrupt and corrupting corporate power for many years have been, and now are, rewarded by political preferment and placed upon the Federal bench, and in other positions of power and influence, for the sole purpose of aiding and abetting corporate designs against the rights of the people. This is made possible by the present method of electing United States senators. In all parts of the Union, for many years past, the election of a senator has been the signal for charges and counter-charges of bribery, by the adherents of the opposing candidates, and in many instances investigation has shown the charges to be true. Within the last 25 years, many men have been elected to the United States Senate on the sole qualification of being millionaires and willing to buy the dishonor of occupying a seat in an assembly they disgraced; but, worse still, many able but dishonest tricksters, whose names are on the pay-rolls of the corporations, have, by the use of corporate funds, been able to bribe their way into the Senate for the sole purpose of defeating any legislation that attempts to do justice between the people and the corporations. A recently-elected senator was charged by his own party with being guilty of bribery in securing his election. After a careful investigation, the legislature, controlled by his party, found the charge against him fully supported by a preponderance of the evidence submitted, and certified that fact to the United States Senate, and asked that body to investigate the charge against the new member, but the *attempt* to contest the briber's seat was ignored by the Sen-

ate. Under the provisions of Section 5, Article I. of the Constitution, each house of Congress is "the judge of the elections, returns and qualifications of its own members." Why the Senate refused to investigate the charges against the briber is best known to its several members, and their reasons can only be guessed at by the public. Can it be possible that 46 or more of the 90 members of the Senate have been guilty of improperly using money in securing their election? The corporations, trusts and combines have, for years, been trying to get control of the United States Senate, and this refusal to investigate a plain, specific charge of bribery against one of its members proves that success had attended their efforts. With 46 out of 90 senators, the corporations can absolutely control all legislation by Congress. They can prevent the appointment of any man to the Federal bench, or to any other Federal position, who is not the choice of the corporations. Even though the President be entirely honest and tries to do his whole duty, it is impossible for him to place honest, capable men on the Federal bench and in other important positions while the corporations and trusts control the Senate. Take the case of Mr. Depew, senator from New York, and chairman of the Board of Directors of the New York Central Railroad Company; a man whose "candid tongue is ever ready to lick absurd pomp," and who has always "crooked the pregnant hinges of his knee where thrift" has "followed fawning"—a man who has been nearly all his life an obsequious servant to the Vanderbilts. What manner of man would Mr. Depew be likely to select to fill a vacancy on the Federal bench? Is it fair to suppose that any sane man in the United States, being plaintiff in a case against a railroad, or any other corporation, and knowing Mr. Depew's

partiality in favor of corporations, would be willing to have his case tried before a judge selected by Mr. Depew? And yet, as the Senate is now composed, the President might just as well submit his nominations to Mr. Depew for confirmation, as to bother the other agents of the corporations about them.

There is a growing conviction in the minds of nearly all thinking men that a radical change in the present methods of selecting United States senators and Federal judges is necessary. The election of senators by popular vote has long been advocated by the best thinkers of the country. The scandals attending the election of senators by the legislatures of the different States prove beyond dispute that bribery is the rule rather than the exception under the present method. If the republican form of government is to be perpetuated, bribery and corruption in filling the public offices must be prevented, if possible, and rigorously punished when detected. The election of senators by popular vote will to a great extent render the efforts of the briber futile. The election of United States senators by popular vote can be provided for only by an amendment of Subdivision 1 of Section 3 of Article I. of the Constitution, which provides for the election of senators by the legislatures of the several States, and reads as follows:

Section 3. 1. The Senate of the United States shall be composed of two senators from each State, chosen by the legislature thereof, for six years; and each senator shall have one vote.

The first subdivision of Section 4 of Article I. should also be amended by taking away from Congress the right to alter the manner of electing senators and representatives by the States; it reads as follows:

Section 4. 1. The times, places and manner of holding elec-

tions for senators and representatives shall be prescribed in each State by the legislature thereof; but the Congress may at any time by law, make or alter such regulations, except as to places of choosing senators.

Much is said and written about our independent Federal judiciary, very much of which is the purest kind of "rot." Every man in the United States who is competent and fit to occupy a seat on the Federal bench takes a lively interest in the political affairs of the country, and is an influential member of some one of the political parties. If the candidate has kept out of politics to the extent of having neither entertained nor expressed an opinion on the political questions of the day, he has too little knowledge of the principles of our Government, whatever his learning may be on other subjects, to make a competent judge, and is totally unfit to sit as judge on the Federal or any other bench. There are few such lawyers, for, as a rule, they devote too much of their time to the discussion of political questions. Almost every man appointed to a Federal judgeship owes his appointment partly to the fact that he is a member of the political party in power. When the corporations desire to increase their force on the bench, they invariably select their man from the party temporarily in power. It is true that Lincoln, a Republican, appointed Stephen J. Field, a Democrat, to the Supreme bench, but it is also true that we have had but one Lincoln, and that such lack of loyalty to party would now be much condemned by our latter-day patriots. Within the last twenty-five years or *less* the people of the United States have seen a tenth-rate country attorney, a pettifogging political demagogue, who knew but little more about the principles of law "than an eight-year-old horse knows about his mother,"

without the law-learning possessed by the average justice of the peace, taken up by the corporations and a President wanting a second term and boosted from one political job to another, until he was finally landed on the bench of the Supreme Court of the United States, that has been honored by such men as Marshall, Paterson, Story, Taney and Waite. Under a monarchical form of government, when the man who rules does so by divine right (?), or because his cut-throat ancestors held the crown against all competitors, and he is therefore not indebted to any party or clique for his throne, when its safety depends upon a just administration of the laws of the realm, and he is not working for a second nomination and election, the appointment of the judges by the ruler may give good results, but the appointment of the judiciary by the executive, under our form of government, does not work well. The experience of more than one hundred years proves that the best men for the position are too frequently passed by, in order to reward the campaign services of the friends of some unfit person for the position. A presidential candidate is no sooner elected for his first term, than some editor, who expresses one man's opinion and desire in large capitals, nominates him for a second, even before he is inaugurated for his first term. Political bosses and spoilsmen are consulted by the President in the selection of his cabinet and in the making of all Federal appointments. There is in the United States a very large number of voters whose ballots are for sale, and to be successful in a national election generally requires the expenditure of much money, which is nearly all furnished by the great corporations, trusts, combines and men wanting or holding an office. The party managers find it necessary to make many promises and threats in order to secure large

contributions to the corruption fund. The successful candidate cannot deny his obligation to those who have supplied "the sinews of war"; his managers have fully informed him as to the source of the contributions. What can he do but redeem the promises made during the campaign? If he refuses to place in nomination the names of the corporation candidates, he at once creates a bitter war within his party lines, which threatens his defeat for a second term. If he presents the names of the tools of the corporations, the Senate immediately confirms the nominations, and the rights of the people are placed in their hands. A justice of the Supreme Court of the United States belongs to what the framers of our Constitution intended should be the highest judicial body on earth. The worthy members of the court should be protected against a forced association with men who are for any reason unfit to occupy a seat on that exalted bench. The Supreme Court, when there is government by civil law, is above Congress and the President, its decisions under the Constitution are the supreme laws of the land, from which there is no appeal, except to force of arms. The welfare of the nation and the existence of free government demand that no man shall be made a justice of the Supreme or any other court from motives of party policy or as a reward for party services, or because of the urgent request of many political friends, or for any other reason whatever save that of eminent fitness because of the high moral character, great intellectual ability and legal acquirements of the candidate. No man should be appointed to the bench for life; an office for the life of the incumbent is contrary to the true principles of a republican form of government. No man should be allowed to remain on the bench for a single day after his mental faculties show

signs of failure. Some of the ablest judges that ever sat on the bench of the Supreme Court remained there years after old age had decidedly impaired their mental faculties. Our great judge, Chief-Justice Marshall, who died in office at the age of eighty years, should have been retired years before his death. Of the 59 justices, including the present bench, who have been appointed to the Supreme bench since the organization of the court, 14 over the age of 71 years have died in office, to-wit: 1 at 87, 1 at 80, 2 at 79, 1 at 78, 2 at 77, 3 at 76, 1 at 75, 1 at 74, 1 at 73, and 1 at 72 years of age; 6, being above the age of 71 years, have retired from the bench, to-wit: 1 at 84, 1 at 81, 1 at 80, 1 at 77, 1 at 75, and 1 at 72 years of age. Such a record does not admit of the best public service possible. Of the 59 justices, but 4 were under the age of 40 years when appointed, to-wit: 1 at 39, 1 at 36, 1 at 33, and 1 at the age of 32 years. The average term of service of the 59 judges up to the present time has been  $14\frac{1}{2}$  years, and the average age at which they were appointed 51 years. All Federal judges should be elected by the people; the judges of the Supreme Court by the people at large at the presidential elections; circuit judges by the voters of the judicial circuits within which they are to sit; district judges by the voters of the districts within which they are to preside. In order to secure judges of learning, experience and in the prime of life, no man should be an eligible candidate for a Federal judgeship who is under the age of 40 or over the age of 55 years. No judge should be allowed to remain on the bench after arriving at the age of 67 years. Judges of the Supreme Court should be elected for the term of 15 years unless sooner retired by the age limit; judges of the circuit and district courts for the term of 12 years. The

Constitution, by requiring representatives to be at least 25, senators to be at least 30, and the President to be at least 35 years of age, and the laws of the United States retiring Army and Navy officers at the age of 62 years, furnish precedents for an age limit to the office of judge. Seeing that the right of the citizen to life, liberty and property depends upon the construction and interpretation placed by the judges upon the simplest and plainest language in which the laws can be written, no one will deny that the public interest demands as able and sound minds on the bench as in any other department of government. The election of senators and Federal judges by the people will be a great advance in the direction of securing just laws and equal rights for all, but before the several States can exercise the rights and powers reserved to them under the Ninth and Tenth Amendments to the Federal Constitution, it will be necessary to amend Section 1 of the Fourteenth Amendment by inserting a clause therein declaring that the words "nor shall any State deprive any person of life, liberty or property without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws," refer only to persons who are born and may be naturalized. These 31 words were inserted in the Constitution for the purpose of more fully securing to all equality before the law. They were intended to secure to the emancipated negro the same protection that the law afforded his former master. The purpose for which they became a part of the Constitution has been totally ignored by the Federal authorities. No negro has received any benefit whatever from these provisions in the Fourteenth Amendment, but, by a conspiracy between the poor Federal judges and the rich corporations, a false construction placed on the word



“person” has resulted in placing every State in the Union in a worse position than when it was a Territory, for then Congress passed upon the reasonableness or unreasonableness of the acts of its legislature, but now any Federal judge, however much he may be lacking in honesty and learning, has power to suspend at his discretion (?) the execution of a State law, if he thinks it unreasonable. Unless the word “person” in the Fourteenth Amendment is declared not to refer to corporations, innumerable trusts, formed for the purpose of plundering the people, will hereafter invoke and receive its protection. The Constitution had been in existence for 80 years, the country had conducted three successful wars, and the Union was safe when these apparently beneficent provisions were injected in the Constitution, where, under the construction placed upon them by the Supreme Court, they are a greater menace to free government than was the great rebellion. No half-way measures should be adopted. The present talk about amending the laws governing the removal of causes to the Federal courts will in no manner affect the “pull” the corporations have with the Federal judiciary by reason of the misconstruction and interpretation placed by these judges on Section 1 of the Fourteenth Amendment to the Constitution.

## CHAPTER X.

Railroads operated in the interests of trusts and monopolies.— Enormous rebates paid by the railroads to the Standard Oil Company.—Testimony of Mr. Lockwood before the Industrial Commission.—Why no individual or company can compete with Mr. Rockefeller.—Formation of the Federal Steel Trust.—“King of the Rail.”—Great advance in the prices of iron and steel.— Comparison of prices of iron and steel in 1898 and in 1899.— Great increase in the prices of iron and steel falls most heavily on the farmer.—Iron-producers with limited capital notified that the railroad will favor the trust.

Mr. Henry O. Havemeyer, president of the American Sugar Refining Company, was examined by the Industrial Commission, at the city of Washington, on June 14, 1899, in connection with its investigation of “trusts.” His testimony related to the sugar industry, in the giving of which he made a vigorous attack upon the United States customs tariff, which he declared to be the “mother of all trusts.” This assertion has been the cause of much discussion on the part of the advocates of high tariff on the one side, and the advocates of low tariff on the other side. The partisans of high tariff at once cited the case of what they allege to be the greatest of all trusts, the Standard Oil Company, which controls nearly all of the oil wells in the United States, and is in no way benefited by the tariff; and asked their opponents to explain why it is, if the tariff is the mother and supporter of trusts, that the Standard Oil Company has been able to pay large dividends, crush all opposi-

tion by selling oil at such prices as could be offered by no other company or individual in the country, and at the same time derive no benefit from the tariff? The advocates of free trade or low tariff seem to have overlooked, or for some reason refrained from giving, the true reason for the success of the Standard Oil Company. The following "press dispatch" explains the means by which that monopoly ruins any company or individual that attempts to maintain an independent oil refinery, even though he or it owns the land from which the oil is produced:

Washington, June 19.—L. M. Lockwood, an independent oil producer, testified before the Industrial Commission against the Standard Oil Company and the railroads, which he declared were "robbers and brigands." He quoted A. J. Cassatt, the new president of the Pennsylvania Railroad, as testifying before the Interstate Railway Commission that while the open rate to the public was \$1.90 a barrel, the rate to the Standard Company was 80 cents. Further investigation, said Mr. Lockwood, had developed the fact that the railroad companies actually received only 35 cents. This condition of affairs had resulted for a time, according to Mr. Lockwood, in giving the Standard Company a profit of 400 per cent, while the independent refineries were driven rapidly into bankruptcy.

"If you have got to be robbed," he exclaimed, "it does not matter much whether you are held up by Dick Turpin with a pistol or by John D. Rockefeller with a railroad; it's robbery, all the same."

He said that men who had carefully analyzed the testimony taken before the Hepburn committee estimated that in 186 months the five trunk lines of Pennsylvania had paid the Standard Company \$11,000,000 in rebates.

Speaking of the remedy for the evil, Mr. Lockwood said it was in public ownership of the railroads and not to be found in courts—the courts were too slow and expensive.

"The railroads and the oil company can razoo a man up down in the courts for ten years," he said, "until he is ruined, and then go on with their work, leaving their victims stranded. As a reward,

the combines elevate their instruments to higher planes politically. In this way the common people are gradually coming to believe that the great railway combines are packing the supreme courts with men in sympathy with their monopolistic tendencies, who would do their bidding."

Any unprejudiced person who reads Mr. Lockwood's statements, which are based upon public records—the truthfulness of which is undoubted—will no longer lack an answer to the question, How has the Standard Oil Company paid such enormous dividends and at the same time, without tariff protection, been able to ruin all its competitors? Is it strange that the Standard Oil Company has the field to itself, it having received from the Pennsylvania railroads in 15½ years \$11,000,000 in rebates, and at the same time paid only 35 cents per barrel for hauling its oil, while other companies and individuals paid \$1.90 per barrel for the same service? There is no doubt that the Standard Oil Company had and still has the same favorable arrangement with all the leading trunk lines of railroad in the United States that it was shown to have with the Pennsylvania lines, and that being the case, what enormous sums it must have received in the way of rebates, to say nothing of its savings in the way of freight charges. How could it be possible for any person, company or combination of capital, not having the same advantages in transportation, to compete with Mr. Rockefeller's monopoly? It is very plain that, without the assistance of the railroads, Mr. Rockefeller could not have bankrupted all his competitors. Mr. Lockwood's testimony only confirms in detail what the Interstate Commerce Commission said in its Report for 1898, which is quoted in Chapter I.

It is certain that any trust or combine that can get such

favorable rates as the railroads are shown to have given the Standard Oil Company will be able to ruin all competitors not thus favored. How great, then, must be the advantages of any trust or combine formed by the railroad corporations. Between the month of June, 1898, and January, 1899, the great "iron and steel" trust was organized, the business and profits of which are hundreds of times greater than those of the Standard Oil Company.

In the latter part of June, 1898, the following article appeared in one of the Chicago daily papers, and it was one of the first intimations the people had of the proposed combine:

PROSPECT OF A TRUST TO CONTROL THE IRON AND STEEL INDUSTRY IN AMERICA.

A deal involving some \$80,000,000 of capital in which the Carnegies, the Rockefellers, the Illinois Steel Company and other companies controlling the steel and iron industry of the United States appear to be participants, according to Eastern advices, is looming up in the financial horizon and will mean that the country is to have a new "trust," which will be equal to anything it already has in that line.

The deal, it is said, will include the following big manufacturing corporations:

	Capital Stock	Pig Iron Capacity, Tons.
Pennsylvania Steel Co. (common).....	\$ 4,750,000	} 658,000
Pennsylvania Steel Co. (preferred).....	1,500,000	
Cambria Iron.....	7,974,550	525,000
Bethlehem Iron.....	5,000,000	285,000
Illinois Steel Co.....	18,650,635	1,885,000
Tennessee Coal and Iron.....	21,000,000	1,052,000
Colorado Fuel and Iron.....	11,250,000	355,000
Carnegie Steel.....	2,000,000	2,350,000

*Minnesota Company May Join.*

The Minnesota Iron Company, which owns about 40,000 acres and seven iron mines in Minnesota, operates nine steel steamers and

controls the Duluth and Iron Range Railroad, is also said to be in the deal.

Since May Illinois Steel stock has risen in value from 48 to 57, and Minnesota Iron from 64 to 73. *The respective jumps are claimed to be due to a deal of some kind. Lately Robert Bacon of J. P. Morgan & Co., was elected a director in the Illinois Steel Company, which was said to mean that the Carnegie people thereby gained some influence in the company which had proved such a sturdy rival. It was also suggested that the recent purchase of land by the Carnegie people in East Chicago meant that the Illinois Steel Company must agree to "combine" or fight something harder than steel.*

*Disastrous Competition of Late.*

Since the steel rail pool broke down there has been a good deal of disastrous competition in the iron and steel trade, but the Illinois Steel Company has had about the best of the fight, for it has greatly increased its sales abroad, and has encroached on the Eastern companies even in the matter of bidding on armor plate contracts for the Government. What competition cannot do it is likely, however, that money can do, and that if the Carnegie-Rockefeller people can get control of a majority of Illinois Steel Company stock, there will be a consolidation and a new trust.

*John W. Gates Professes Ignorance.*

John W. Gates, president of the Illinois Steel Company, said: "I know of no facts back of this talk of consolidation. As to who may be buying the stock of our company, I also know nothing, for we have so many stockholders that it is impossible to look after them all and keep track of what any group of them may possibly be up to. The Illinois Steel Company is reaping handsome returns from the revival in the iron trade, and as a result of its policy of doing a big business on small profits. I do not see that under the circumstances a combination would do any good."

The election of Robert Bacon, of the great banking firm of J. P. Morgan & Co., to the position of director in the Illinois Steel Company, seems to have been one of the first steps taken in the direction of forming the great iron and

steel trust. Mr. J. Pierpont Morgan, the head of the firm, of which Mr. Robert Bacon, the lately-elected director of the Illinois Steel Company is a member, is a very well-known character. It was to him and his friends that Mr. Cleveland permitted the sale of \$62,000,000 in United States bonds at \$1.04½, when they were worth \$1.20 on the dollar. It has, for a long time, been thought by many that Mr. Morgan possessed full knowledge of all the short cuts to wealth, but his late association—if it is late—with Mr. Rockefeller indicates that he feels the need of spiritual consolation and advice; in attempting to practice Mr. Rockefeller's pious methods, and to be near him, makes him a partner in the iron and *steel* trust. About the time Mr. Bacon was made a director of the Illinois Steel Company, an article appeared in the *Chicago Tribune*, from which the following selections are taken:

"KING OF THE RAIL."

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*Twenty-one Lines Controlled by One Man.—Total Mileage of 50,550.—  
Mr. J. P. Morgan's Word Is Law on Most of the Principal Lines.*

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Nearly all the great trunk lines in America are now practically controlled by the great New York financier, J. Pierpont Morgan. It is the most colossal combination of capital on record. Within a short time all the avenues and outlets of this country to the sea will be directed by one man and one mind. . . . .

The scheme of placing all these interests in the hands of J. Pierpont Morgan was suggested several years ago, when, discouraged by the constant violations of agreements to maintain tariff rates, the presidents of the various roads met on board of J. Pierpont Morgan's yacht in New York harbor and adopted the far-famed "gentlemen's agreement." This was a pledge that any official, no matter how high in rank, should be promptly discharged if found violating an agreement. . . . .

*On that occasion the suggestion was made that the leading rail-*

road companies between New York and the Missouri River relinquish the financial control of their roads to the firm of J. Pierpont Morgan & Co., and that the officials of the various roads should be responsible for their conduct to J. Pierpont Morgan. The power thus placed in Mr. Morgan's hands, it was claimed, would enable him without much effort to whip recalcitrant roads into line. . . .

The seed thus sown fell, however, upon fruitful ground. It has sprouted and grown until to-day the great consolidation scheme is found to be practically an accomplished fact, and J. Pierpont Morgan is the master mind who controls the roads. . . .

In the South Mr. Morgan is getting stronger from day to day. Lately he has achieved another victory in his project for the control of all the railroads and steamship lines in the Southern States. He has won his long fight for the possession of the Central of Georgia Railroad, which controls the ocean and New England steamship lines which ply between Savannah and New York, Boston and Philadelphia. . . .

In the West and Northwest, the Morgan consolidation plan has not progressed quite so far as in the East. But a good start has been made here, and before long, judging by present indications, Mr. Morgan will as absolutely hold the destinies of the roads in the West and Northwest in his hands as he does those of the roads in the East and South.

The term "trust" or "combine" is commonly understood to mean the association of a number of persons, firms or corporations engaged in the same line of business, under one head or board of trustees, for the purpose of monopolizing the business in which they are engaged, dictating prices and preventing competition. The power of the trust to oppress the people is in proportion to the amount of the production or property it owns or controls, when compared to the whole amount of such production or property used by the public. If, as in the case of the Standard Oil Company, the trust owns or controls nearly the entire property or production in



its line of business in the whole country, it can, by having special rates of transportation, fix such prices as will ruin all independent producers or operators, prevent others from engaging in the business, and then absolutely control prices. Now, if the association of a number of corporations, under one head or management, for the purpose of controlling prices and preventing competition, constitutes a trust, then the association of the above-mentioned 21 trunk lines of railroad, having a total mileage of 50,550 miles, under the sole management of J. Pierpont Morgan, constitutes the greatest trust the world has ever been cursed with. The avowed object of the trust is to prevent competition and control the prices that must be paid by the public for transportation.

Controlling, as it does, the outlets of all the interior States to the sea, the trust thus controls the entire transportation system of the United States, for it has destroyed river navigation.

The trust composed of the trunk lines can dictate rates to all branch lines of railroad, and levy any rate of tax on the products of the farms and factories of the whole country that the cupidity of its manager may suggest, and while it controls the Senate and Federal courts, the public will remain at its mercy. The railroad trust is a more oppressive burden on the producers of the United States than are all the other trusts combined, for it is the mother and supporter of nearly all the other trusts. (See statement of the Interstate Commerce Commission in Chapter I.)

Mr. Morgan, being a railroad king, has, or should have, many millions invested in railroad stocks and bonds, and as the dividends and interest on such investments depend on the net profits of the roads, it is reasonable to suppose that

his interests would induce him to operate the roads as economically as possible, with good service. In the maintenance of the roads and equipment, the corporations annually expend millions of dollars for iron and steel, and it is a plain business proposition that the interest of a railroad company lies in getting iron and steel at the lowest possible price, and that, as a railroad manager, Mr. Morgan's interests are squarely opposed to the interests of the iron and steel producers and manufacturers of the country. An advance of one dollar per ton in the price of iron and steel results in a great increase in the annual expense of maintaining the railroads and their equipment, and must result in an increase in rates, for rates on the railroads, if just, depend on the cost of constructing, maintaining and operating the roads. Clearly, the interest of the iron-producer is opposed to the interest of railroad companies, so far as the price of iron and steel is concerned, and that being the case, how is it possible for Mr. Morgan to be at once the railroad king of the country and the head of the "Federal Steel Company" and serve both honestly? To put up the price of iron and steel used by railroads is one of the primary objects of the Federal Steel Company, in speaking of which, under the heading of "Stupendous Power and Wealth," the *New York World* in 1898 referred to the then projected iron and steel combine as follows:

In reaching out for the barbed wire trust the great Rockefeller-Carnegie iron and steel "combine" has disclosed the full proportions of its plans and purposes.

The "Federal Steel Company," as the "combine" will probably be called, intends to control the iron business of the country. It will mine or control the mining of all the ore. It will fix the price of every pound of iron. It will manufacture or control the manufacture

of every kind of iron product, from armor plate and guns and beams and rails to wire, barbed and plain, and cold chisels and hammers and nails.

As iron is the foundation and the skeleton of the superstructure of our material civilization, the few men at the head of this "combine" will exercise a stupendous influence upon the division and distribution of the wealth of this nation, and therefore upon its social and political life.

Behind the "Federal Steel Company" there is a dream of wealth and power and aggrandizement that would have seemed fantastic a few years ago, but is now in a favorable way to complete realization.

In order to get a correct idea of the magnitude of the iron industry of the United States, which is now under the undisputed control of the iron and steel trust, it is necessary to consider the following figures: In 1897, the world's production of pig iron and steel was greater than ever before by more than two and one-half millions of tons of each, and reached the enormous quantity of 33,520,005 tons of pig iron and 20,407,222 tons of crude steel. In 1897, Great Britain produced 8,930,086 tons of pig iron and 4,559,736 tons of crude steel. In the same year the United States produced 9,807,123 tons of pig iron, and 7,289,300 tons of crude steel. (See page 194, World Almanac for 1899.) These figures show that this country produces more than one-quarter of the pig iron, and more than one-third of the crude steel of the world. Of the pig iron produced in the United States in 1897, there was but a small quantity exported, 8,454,237 tons being retained for domestic consumption. The following table, taken from the *Iron Age*, gives the prices of the different kinds of iron and steel on September 6, 1899, of one year prior thereto, and on June 29, 1898, the work of the trust is therein shown:

**TABLE NO. 25.—A Comparison of Prices at Date, One Week, One Month and One Year Previous, and on June 29, 1898.**

[Advances over the Previous Month in Heavy Type.]

	Sept. 6, 1899.	Aug. 31, 1899.	Aug. 9, 1899.	Sept. 7, 1898.	June 29, 1898.
<b>Pig Iron:</b>					
Foundry pig, No. 2, standard, Philadelphia.....	<b>\$22.25</b>	\$21.25	\$20.50	\$10.75	\$10.50
Foundry pig, No. 2, Southern, Cincinnati.....	<b>19.25</b>	18.75	18.25	9.50	8.75
Foundry pig, No. 2, local, Chicago.....	<b>21.00</b>	20.50	20.00	11.00	11.00
Bessemer pig, Pittsburgh.....	<b>23.75</b>	22.50	21.25	10.50	10.25
Gray forge, Pittsburgh.....	<b>19.25</b>	19.00	17.75	9.35	9.00
Lake Superior charcoal, Chicago.....	<b>23.50</b>	23.00	22.00	11.50	11.50
<b>Billets, Rails, Etc.:</b>					
Steel billets, Pittsburgh.....	<b>38.00</b>	37.00	34.50	16.00	14.50
Steel billets, Philadelphia.....	<b>40.00</b>	39.00	36.00	18.00	16.50
Steel billets, Chicago.....	<b>.....</b>	.....	36.80	17.50	16.25
Wire rods, Pittsburgh.....	<b>.....</b>	44.00	44.00	22.00	20.00
Steel rails, heavy, Eastern Mill.....	<b>.....</b>	32.00	30.00	18.00	17.00
Spikes, Tidewater.....	<b>.....</b>	2.35	2.15	1.40	1.40
Splice bars, Tidewater.....	<b>.....</b>	2.05	1.95	1.05	1.05
<b>Old Material:</b>					
Old steel rails, Chicago.....	<b>17.00</b>	16.00	15.00	7.75	<b>8.25</b>
Old steel rails, Philadelphia.....	<b>18.50</b>	18.50	17.00	10.50	10.00
Old iron rails, Chicago.....	<b>23.00</b>	22.50	20.00	12.50	12.25
Old iron rails, Philadelphia.....	<b>21.50</b>	21.50	21.00	12.50	12.00
Old car wheels, Chicago.....	<b>16.50</b>	16.00	15.50	11.00	11.50
Old car wheels, Philadelphia.....	<b>18.00</b>	17.75	17.00	10.50	10.00
Heavy steel scrap, Chicago.....	<b>15.50</b>	14.50	14.00	7.50	8.00
<b>Finished Iron and Steel:</b>					
Refined iron bars, Philadelphia.....	2.00	2.00	2.00	1.15	.....
Common iron bars, Youngstown.....	<b>1.95</b>	1.87½	1.85	1.00	.....
Steel bars, Tidewater.....	.....	2.30	2.20	1.15	.....
Steel bars, Pittsburgh.....	<b>2.50</b>	2.25	2.10	1.00	.....
Tank plates, Tidewater.....	.....	2.80	2.70	1.25	.....
Tank plates, Pittsburgh.....	<b>2.75</b>	2.65	2.50	1.15	.....
Beams, Tidewater.....	.....	2.40	2.15	1.40	.....
Beams, Pittsburgh.....	<b>2.25</b>	2.25	2.00	1.20	.....
Angles, Tidewater.....	.....	2.40	2.15	1.20	.....
Angles, Pittsburgh.....	<b>2.50</b>	2.25	2.00	1.10	.....
Skelp, grooved iron, Pittsburgh.....	.....	2.25	2.25	1.10	.....
Skelp, sheared iron, Pittsburgh.....	.....	2.60	2.60	1.20	.....
Sheets, No 27, Chicago.....	<b>3.40</b>	3.25	3.18	2.10	.....
Sheets, No. 27, Pittsburgh.....	<b>3.25</b>	3.00	3.00	1.90	.....
Barb wire, f. o. b. Pittsburgh.....	<b>3.25</b>	3.10	3.10	1.65	.....
Wire nails, f. o. b. Pittsburgh.....	<b>2.65</b>	2.50	2.50	1.30	.....
Cut nails, Mill.....	<b>2.40</b>	2.20	2.20	1.05	.....

The above list of prices shows more than 100 per cent increase in the price of iron and steel in fourteen different items. Nearly the entire increase in price shown in the list was made between January 1, 1899, and September 7, 1898.

The increase in prices being so great, and the reason therefor being so evident, the *Iron Age* of June 29, 1899, felt called upon to make an explanation, and here is what it said:

The changes which have been wrought in this brief period of six months seem almost like a fairy tale. At the beginning of this year export business was solicited by all the large makers of iron and steel able to reach the seaboard at permissible rates of freight. Prices of American products were so low and producing capacity seemed so much beyond the home needs that outside business was desired and large contracts were secured. Such contracts, particularly for finished products, proved to be more than the increased consumption of this country would safely permit us to spare this year. This is seen in plates especially, which have doubled in price owing to their scarcity, while wire rods and steel billets follow closely after, carrying with them a long line of other products. Pig iron has advanced materially in all markets, but steel rails and beams show comparatively modest gains. The rail and beam manufacturers have chosen to be conservative, probably because their customers' wants have been well covered for the year by contracts taken at low prices, and therefore a great advance in quotations is undesirable.

The first half of the year was remarkably free from disturbances of all kinds. No serious strikes occurred in the iron trade itself, although labor troubles in other lines had some slight local effect. The prosperous condition of the industry caused employers to feel anxious to continue at work, and therefore friction over the wages question has been avoided as much as possible. It is doubtful if wages were ever before voluntarily advanced so generally and so materially as in the six months just ended.

A particularly memorable incident in the history of this period is that it covers the first practical working of great consolidations in the trade. Some of them had been organized just prior to the beginning of the year, while others were not in existence until the year had been well along. They were launched at an auspicious time, enjoying the benefit of advancing prices without being obliged to resort for their profit to the restriction of production or arbitrary control of markets,

The results of the infamous plot of the trust to rob the people being too manifest for denial, the public is insulted by being asked to believe that it, not the trust, caused such unjustifiable prices for iron. When the "fairies" laid their plans for holding up the public, in the interest of the iron combine, they probably met in secret session, on board of Mr. Morgan's yacht. The fact that the large makers of iron and steel solicited foreign orders and made foreign sales before the recent high prices of iron is sufficient evidence that the American iron-producers can, without the aid of a duty on iron, compete with foreign producers of iron, and that the prices, before they were increased by the trust, afforded the iron-producers a fair profit—a profit for which they wanted to do business. The making of foreign contracts is now the means adopted by the trust for getting rid of the surplus iron and steel stock to Europeans at any price, in order to create a shortage in the United States. The trust can well afford to sell to Europe at barely the cost of production, while supplying the home market at such robber prices. It is in the United States that these wolves propose to get their "spring lamb." The surplus production of iron will be made as small as possible, and only that small surplus will be exported. Prices will probably go much higher, and then recede to such figures as a 45 per cent *ad valorem* duty will enable the trust to maintain. Taking into consideration the improved methods and facilities for production, the prices of iron and steel were as high in 1898 as they were in 1881, or in 1887. It is said that, notwithstanding the higher wages paid to men in the iron industry in the United States, iron and steel can be produced here cheaper than in any other country. If 64.70 per cent in six months is a *modest gain* in the price of steel

rails, what will be the rate of increase, or gain, when the trust concludes to put up the price? Strikes did occur in the iron business between January 1 and June 29, 1899, but the trust quickly granted the men's demands, because, as the *Iron Age* says, "The prosperous condition of the industry caused employers to feel anxious to continue at work." The robber always feels anxious to continue at work when plunder is in sight, and he is easily forced to pay well for any service that enables him to get away with the "swag." It did, no doubt, prove to be a "memorable incident" to those who were caught "short" on iron, that the period of the amazing increase in the price of iron and steel was the "auspicious time" when the "great consolidations in the trade were launched." "Auspicious" to whom? Surely not to the public. The robber, when he goes through the pockets of his victims, may be said to do so at what is for him an "auspicious time"—that is, when they are standing in line, holding their hands above their heads, while looking into the muzzles of sawed-off ten-gauge shot-guns. "*The great consolidations enjoyed the benefit of advancing prices without being obliged to resort for their profit to the restriction of production or arbitrary control of markets.*" Here we have the statement, by the official organ of the trust, that the companies forming the trust can and will, if necessary to secure a satisfactory profit, restrict production, and arbitrarily control the markets. That they have already done both, no sane man will doubt. If the reader will turn to Table No. 6 he will there see that in no year during the Civil War—a period when prices reached their highest point in the United States—did the price of iron increase as much as it increased the first six months of 1899. The first great increase in the price of iron during the Civil War was from 1862 to

1863, when the increase in the price of pig iron was 47.61 per cent, of bar iron 29.28 per cent, and of iron rails 84.14 per cent, being an average increase of 53.67 per cent. From 1863 to 1864, the increase in the price of pig iron was 68.08 per cent, of bar iron 60.87 per cent, and of iron rails 63.89 per cent, being an average increase of 64.28 per cent. From January 1 to July 5, 1899, the increase in the price of pig iron was 86.95 per cent, of bar iron 89.47 per cent, and of steel rails 64.70 per cent, being an average increase of 80.37 per cent.

During the Civil War iron was paid for with greenbacks then worth about 40 cents on the dollar, while in 1899 the price is paid in gold or its equivalent.

Table No. 25 shows that from September 7, 1898, to September 6, 1899, the increase in the price of pig iron was 106 per cent, of bar iron 95 per cent, and of steel rails 78 per cent, an average increase of the three items of 93 per cent. From June 29, 1898, to September 6, 1899, there was an increase of \$15 per ton in the price of steel rails, 95 cents per 100 pounds in the price of spikes, and \$1 per 100 pounds in the price of splice bars.

This increase in the price of steel rails, spikes and splice bars will add to each mile of track, supposing it to be laid with 65-pound steel, an increased value of \$1,770.35, giving a total increase in the value of the 247,532 miles of all tracks of \$438,218,276. Add as much more for the increase in the price of all kinds of iron and steel used in the construction of locomotives, cars, machinery, tools, bridges, buildings, turntables, switches, culverts, drains, telegraph lines, fences, etc., and we have, as a result of the first eight months' profits of the trust, \$876,436,552 added to the value of "KING MORGAN'S" railroads. The gross earnings of



the roads have been in the past about 11 per cent on their alleged value. Earnings of 11 per cent on this recent increase in the value of the roads means \$96,408,020 more, to be collected from the producers of the country, the principal part of which will come from the farmers. The advance made in the prices of the different kinds and grades of iron and steel from June 29, 1898, to September 6, 1899, averages more than 100 per cent, and is accounted for by the newspapers that are paid for supporting the trusts, as being caused by a heavy European demand for American iron and steel. The fact that a few thousand tons of steel rails have been sold by American manufacturers to be used in England has been greatly lauded by the trust press, but not a word is said as to the price for which the rails were sold, nor do these honest trust defenders say anything about the trifling fact that while these sales are being made in England, a Boston company finds it cheaper to get rails from England and pay a duty of 45 per cent *ad valorem* than to buy from these same American exporters, who are underselling all the world in England, Russia and China, and everywhere else, except in the United States. The increase of 88 per cent in the price of steel rails from June 29, 1898, to September 6, 1899, is accounted for by the trust editors as being caused in part by the negotiations of the *Carnegie* Steel Company for a sale of 180,000 tons of rails to be used in China and Russia. To show that this increase of 88 per cent in the price of rails was not caused by such prospective sale, it is only necessary to call attention to the fact that the 180,000 tons, if 65-pound rails, would build only 1,762 + miles of track. In the United States in three years—1881, 1882 and 1883—28,159 miles of main line and 7,853 miles of second, third, fourth, yard and side track,

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making a total of 36,012 miles of track, were constructed, which required 3,395,417 tons of 60-pound rails, and during the same time 1,717,642 tons of rails were used by other lines in renewals, making a total of 5,113,059 tons of rails used in the three years, and yet, during those three years, the price of rails went down 41 per cent. During the three years 1886, 1887 and 1888, 27,808 miles of main line, and 7,751 + miles of second, third, fourth, yard and side track, making a total of 35,562 miles of track, were constructed in the United States, for which 3,352,988 tons of rails, averaging 60 pounds per yard, were used; and during the same period 1,575,372 tons of rails were used in renewals, making a total of 4,928,360 tons of rails used in three years. During the years 1886 and 1887, under a consumption of 2,657,393 tons of rails in new tracks and renewals, the price of rails increased 30 + per cent; in 1888, with a consumption of 2,270,967 tons of rails in new tracks and renewals, the price of rails went down 19 + per cent. During the years 1897 and 1898, 2,433,082 tons of rails were used in the United States in new tracks and renewals, and yet, during the same time, the price of rails went down 37 + per cent. (See Tables 1 and 6 herein; also page 319 Statistical Abstract of the United States for 1898.) The foregoing facts prove that the pretended foreign demand has little influence in maintaining the present high prices of iron and steel, except that Europe is used as a dumping-ground for the purpose of getting rid of, at any price, any surplus iron and steel that may accumulate on the trust's hands here at home.

The principal trunk lines of railroad throughout the United States have united with the principal iron and steel producers in forming this great trust. The trust, being in control of the lines and rates of transportation, can and

will bankrupt and ruin any individual who attempts to compete with it. It has reproduced on a much larger scale the notorious methods of the Standard Oil Company. The following "press dispatch" of June 15, 1899, tells how independent operators in iron and steel are to be disposed of:

*Advance in Iron Rates.*

New York, June 15.—All the rail lines between New York and Chicago, comprising what was formerly known as the Joint Traffic Association, have decided to advance rates on pig iron, billets, etc., effective July 1st next. This decision is the result of the recent advances in the prices of iron and steel and enables the lines to place the rate upon this commodity on a basis in effect prior to the depression in the iron industry during the past few years.

Rates on articles of iron or steel manufacture are also to be advanced November 1st next, the special present tariffs to be canceled and the rates on such articles will be on the basis of the current official classification.

The highest possible rates will be established on iron, and will seem to bear equally on the trust and the independent producer, but the trust will get back, in the way of rebates, from 75 to 90 per cent of the freight money paid by it. These rebates paid by the railroad companies will be covered up under such heads as cost of "maintaining equipment," or "ways and structures," which cost will appear to be enormously increased by reason of the great increase in the prices of iron and steel. The high rates paid by those who are not members of the trust will partly reimburse the roads for what they lose on the trust freight.

High prices for iron and steel will nominally increase the cost of maintaining the roads, and hence will seem to justify keeping up and increasing the rates, now charged on the products of the farm and factory. Larger profits can be made from the iron and steel trust, by a few railroad

magnates, than it is possible for them to make out of the freights on iron and steel at reasonable rates, and therefore the roads are to be used in the interest of the combine. The following editorial from the *Iron Age* of July 6, 1899, proves that fact beyond any doubt:

There is one danger to establishments of moderate size in the concentration of power in the hands of consolidations which has not been dwelt upon and that grows out of the possibility of special rates of freight. In large transactions these are naturally subject to special negotiations, and there are good reasons why low rates are granted. A shipper who is in a position to deliver on the tracks of a road, day after day, whole train-loads of material, by doing his own switching performs a valuable service for which he is entitled to consideration. In some instances shippers have gone even further. A conspicuous instance may be cited from the anthracite coal trade, where one large individual operator owns all the rolling stock needed and hauls his own cars with his own locomotives and train crews from the regions to tidewater, under a simple trackage contract. What is done in one branch of the mineral traffic may be done also, possibly in a modified form, in other branches and in certain departments of the crude or finished iron and steel industries. Small producers with limited capital would find it difficult to meet such competition.

The above notice of the intentions of the trust may be regarded as a warning to all the world that men and companies of moderate means need not start up old nor build new furnaces because of the high prices of pig iron, for they will not be allowed the special rates that are to be given to the trust. That the trust will enjoy special privileges no one for a moment has doubted, but that it should in such a public, shameless manner announce that fact is somewhat startling. The *Iron Age* is the official organ of the iron and steel trust, and its editor is doubtless fully informed of the trust's plans, and authorized to speak of them. These rail-

roads that are used in the interests of the iron and steel combine were all constructed through the exercise of the power of eminent domain. The men from whom the land for right of way was taken—the farmers—now see the roads that were built across their farms for public use made the principal support of bands of organized thieves, whose object is to levy blackmail on the producers of the country. While the high price of iron increases the cost of doing business and of living of all classes, the burden falls more heavily upon the farmers than on any other class. The prices of many of the products of the American farmer are made in the open markets of Europe, where he has the whole world for competitors. The price of wheat in Liverpool controls the price of wheat in Chicago. There is an open-door market for everything the farmer offers for sale, while the trusts and combines control the price of everything he is forced to buy. The price of iron affects the cost of the buttons on the farmer's clothes; the nails in his shoes; the stove upon which his food is cooked; the knives, forks and spoons used upon his table. Iron is the principal item of cost in the farmer's shovels, spades, hoes, axes, chains, windmills, pumps, plows, harrows, drills, cultivators, seeders, reapers, mowers and threshers. The price of the shoes his horses wear and the harness he works them in depends upon the price of iron. The price he pays for wagons and carts depends upon the price of iron. The price of iron controls the price he pays for the wire with which to fence his mortgaged farm; the nails in his coffin; the cost of everything used by or for the farmer, in life or in death, is affected by the price of iron. "*Small producers with limited capital would find it difficult to meet such competition,*" is the announcement the trust *makes*. There is no competition. The iron and steel trust

has the field entirely to itself, and it intends henceforth to establish and maintain such prices for its products as will best serve its purposes. The profits of the trust are so enormous that it can well afford to contribute millions to the political fund in 1900 of the party that will afford it the best protection, while it practices its thieving methods. A duty of 45 per cent *ad valorem* on iron and its products is of very great advantage to the iron trust, and increases its profits by many millions each month. But, being in control of the railroads, the iron trust, like the Standard Oil trust, can carry out its scheme for plundering the public without any duty on iron. Take off the duty, and while the trust remains in control of the railroads, imported iron can never reach the interior of the country, and compete with the product of the iron and steel trust. A special rate for transportation created and supports the Standard Oil trust. The tariff and special rates for transportation have created and now support the iron and steel trust, and nearly all other trusts and combines; and so long as the railroads remain under the control of "KING MORGAN" and his emissaries, that long will these trusts oppress the people.

Up to a certain point in the operations of the iron and steel trust, it looked as if the trust were confined to the United States, but late indications point to a trans-Atlantic trust. Sales of American rails in England, and the importation of English rails by American parties at the beginning of 1899, may have been a part of the combine's plan to avert suspicion, or the European combine may have been formed since. It is certain that the English producers are not taking much advantage of our 100 per cent increase in the prices of iron and steel. Of late the prices of iron and steel in England have kept up a steady advance in proportion to

the increase of prices in the United States. The trust in the United States refuses to sell steel billets, rods and bars and iron bars to the small manufacturers, on the pretense that their products for months to come are already sold, and the result is that many of the small manufacturing establishments have been forced to suspend operation. The papers report the same condition of affairs in England. The trust press claimed that sales of American iron and steel were made in England at the beginning of 1899, because the English producers were so overrun with orders for future delivery that they could not at once fill new orders, all of which may have been true, but all the indications at this time point to a trans-Atlantic combine on iron and steel. The present high prices of iron and steel are wholly the result of a combine. Nowhere in the world is there an unusual activity in railroad construction except in Russia, and we have seen that the proposed sale of 180,000 tons of rails is America's contribution to the Russian demand.

The United States and England produce more than one-half of all the iron and steel used in the world, and these two countries can control the iron and steel markets of the world. Many Englishmen are heavy holders of the stocks and bonds of the railroads controlled by "KING MORGAN," and used by him in the interest of the iron and steel trust. Congress should be convened in extra session for the purpose of taking the duty off all products controlled by the trust, and compelling a system of bookkeeping by all railroads on interstate business that will prevent the use of the roads in the interest of the trust. Republicans and Democrats alike say that they are opposed to any and all combinations that seek to bleed the people. Let an extra session

of Congress be called and the result will show how the parties stand on the trust question. In many of the States, the legislature will not meet in regular session for more than one year. An extra session should be called in each State for the purpose of passing stringent laws against all combines and trusts formed for the purpose of controlling the production or price of any of the necessaries or conveniences of life, or for the purpose of preventing fair competition in any pursuit, calling or business of life. When the laborer who, after years of toil, has accumulated a few hundred dollars, attempts to lend his capital on either mortgage or personal security, the State steps in and limits the amount of interest his small capital may earn. All business corporations are simply alleged aggregations of capital, to be invested in some particular line of business selected by the incorporators, for the purpose of earning interest, which is called dividends where no bonds have been issued, or interest and dividends when both bonds and stocks have been issued. These "artificial persons" or corporations, unlike natural persons, have no natural rights; they are simply creations of the law, and may be restricted to such capital and earnings as will prevent a monopoly of the business they are engaged in, or the fixing of unfair prices on their products, or undue interference with individual enterprise. The legislature, when granting charters to companies for the purpose of constructing and operating public utilities, such as street railroads, light and power plants, waterworks, etc., should limit the net earnings of each company to a reasonable rate of interest on the value of the physical property of the company, and should also limit the amount that may be paid as salary to each class of the corporation officials. The property and franchise of a quasi-



public corporation should in no case be taxed, and their books should be by law at all times open to public inspection. In the meantime, the producers in each State should speedily suppress the greatest of all trusts or combines, the control of the public highways of the country by corporations, which can be best accomplished by State ownership of the railroads.

## CHAPTER XI.

Government ownership of railroads.—Hadley's opinion.—Who favor the plan.—Mistaken ideas concerning rates under Government ownership.—Advantages that would follow.—Disadvantages that would come with Government roads.—“Red tape rules.”—Vast number of Government officials.—Danger to the Republic.—Usurpation of power belonging to the States.—Require increase of Army.—Great increase in number of Federal judges.—Power of “trusts” and “combines” in securing new roads.—Government management of inland waterways.—How corporations have destroyed steamboat navigation on Western rivers.—Great decrease in the number of steamboats.—Extent of Government ownership of railroads in the world.

A late writer on the subject of “Railroad Transportation” says as follows:

There is a strong popular feeling, to a large extent unsuspected by those in authority, in favor of Government ownership of railroads as a system. No one can have much to do with the more thoughtful workingmen without finding how strong that feeling is, and what hopes are based upon it. The fact that the question is not more under discussion must not blind us to the fact that forces are at work which may prove all but revolutionary, when the question actually does come up under discussion. If it be true that Government railroad ownership would be a most serious misfortune for the United States, we must be prepared to meet the danger with our eyes open. Unless we are able to face it intelligently, and to show reason for our action, the widespread feeling in its favor will prove too strong for us. It may not come for many years, but the lessons of the Granger movement show plainly enough what forces will lie behind it when it does come.

(“Railroad Transportation.” Hadley, p. 258.)

The above is quoted by the Interstate Commerce Commission in its Report for 1894, on p. 234. Mr. Hadley is undoubtedly right in saying that a good many of the people favor the plan of Government ownership of the railroads of the country; but that this opinion finds its largest support among the farmers, as Mr. Hadley intimates, is by no means certain. It does not necessarily follow that, because the farmers of the country are dissatisfied with the present management of railroads, therefore they are in favor of United States ownership. What they want is a change in rates that will allow them some profits on the cultivation of their lands. The various means that might be adopted in order to do justice to all parties have not been fully presented to the people for discussion. Certain classes who are always ready to pronounce judgment on any question whatever, from one arising out of a domestic dog-fight up to the most intricate and involved questions of international law, are loud in their demands for United States ownership of the railroads; and no doubt if their desires in that respect were granted, they would be the very first to appeal to high heaven for protection against the attendant evils that would necessarily come with United States ownership. Many of the advocates of United States ownership declare that under such a regulation they would be carried in a Pullman car from New York to San Francisco for one dollar. They talk as if the magic letters "U. S." on the side of the cab and tender would make the locomotive draw the train without the use of fire, coal, water or oil. To hear them talk about the cheap transportation the people would have if the United States owned the roads, one must conclude that United States ownership would prevent washouts, blizzards and snow blockades, and ties, rails and rolling stock

from wearing out; that trestles would never become rotten, and bridges never need repairing nor rebuilding, if only they were branded "U. S." Undoubtedly United States ownership of the railroads would do away with many of the evils of the present management, such as official salaries of from \$25,000 to \$75,000 per year; oppressive rates; unjust discriminations against people and places; the injustice of letting about one-fourth of the passengers ride on passes, at the expense of the other three-fourths; and it would redress many other crying evils of the present management; but, greatest of all, it would prevent to a large extent the bribing and corrupting of the executive, legislative and judicial servants of the people. If United States ownership would prevent the evils above set forth, it should be adopted, unless its adoption would bring as great or greater disadvantages to the people.

The following would be some of the evils attending Federal ownership and operation of railroads: First, it would bring with it the red-tape rules that are so distasteful to the people, and which prevail in all Federal business, and would necessitate the employment of innumerable agents between the shippers and the Government, in the settlement of any differences that might arise between them. It would at once transform every railroad official into a Government officer, and would segregate nearly one million Federal officials and employees from the people and put them on a footing similar to that of the Regular Army, and yet leave with them the right to participate in the local and general elections as electors; but, unlike the regular soldier, their employment might be made to depend upon their political preferences and contributions to the corruption fund of the party temporarily in power, for it has been fully demon-

strated that Civil Service rules will not protect Federal employees against the blackmailing schemes of the political boss. The 874,558 railroad employees, added to the 73,570 postmasters and the number of incumbents of other positions filled by Federal appointment, would amount to about 1,000,000 persons, nearly all of them being voters; and this number will constantly increase as the population of the country increases. In the last 19 years the miles of railroad and the number of railroad employees have doubled in the United States. Federal control of all telegraph lines is now seriously advocated, which, if accomplished, would bring about 150,000 more employees, about two-thirds of whom are voters, under the Federal appointing power. With such an enormous number of places to be filled by the President of the United States, or by those who are indebted to him for the positions they hold, it would be quite easy for the President to secure a re-election—especially if the national committee of his party were so fortunate as to select an able business man to act as its chairman. It is nonsense to talk about United States Civil Service rules protecting Government employees against political assessments and removal on failure to contribute to the campaign fund of the party in power. Within the last few years, thousands of persons filling Federal positions that had been placed under Civil Service rules have been taken from the protection of those rules, in order to increase the number of places to be filled by persons who receive their appointment from and are removable at the pleasure of the President or those immediately under his control. Why should we increase the present abuse of the Federal appointing power more than tenfold by giving to it complete control of more than 1,000,000 railroad and telegraph operatives? It is impos-

sible to foretell what will happen in the future. This country has already produced its Benedict Arnold. Suppose some ambitious man, who had occupied the presidential chair for two terms, had during that time made all his appointments and arranged his plans for remaining at the head of the Government as military dictator or otherwise; what a vast advantage would the absolute control of all the railroads and telegraph lines and the million men operating them give him! Why put the eggs all in one basket? But suppose the "man on horseback" does not come—still the control of the public highways of a State by the general Government would be usurpation of power which belongs to the State, such as was never anticipated by the people when they adopted the Constitution of the United States. This is an advanced step in the direction of the centralization of power, that the people should be cautious about taking.

The Constitution of the United States, in Section 4, Article IV., reads as follows: "The United States shall guarantee to every State in this Union a republican form of government." This means that each State must maintain a separate and complete republican form of government in the full sense of the provision. What kind of a republican form of government would it be with the Government at Washington exercising the police power of the State, in time of public peace and domestic tranquillity? That the United States owned such a vast amount of property in every State and Territory would be a plausible pretext for a great increase in the Regular Army. It would be thought that much of the Government property required an armed guard, and soldiers would be stationed at every town of any considerable size. When a citizen wanted to ride on

the train, he would be obliged to run the gauntlet of a lot of armed guards. Every offense or misdemeanor committed on the railroad premises would require trial before a Federal court. There would be a great increase in the number of Federal judges. There would be a constant conflict of authority between the State and the Federal courts, or the State would be relegated to its original position of a Territory. At the present proportion of miles of railroad to the number of inhabitants, when the population of the country reaches 150,000,000 people, there will be 500,000 miles of railroad, and in the same proportion nearly 2,000,000 railroad officers and employees; and as the population increases, railroad mileage will increase, and consequently the number of railroad officials and employees will increase in proportion thereto; and are all these vast arteries of commerce, the very life of trade and prosperity, to be placed in the power of one man and his little clique of political godfathers and advisers? The people would better "bear the ills they have than fly to others they know not of."

If the people should conclude to adopt United States ownership of the railroads, the construction of roads by private enterprise would cease at once, for the reason that corporations could not make their bonds and roads non-taxable, as both would be under United States ownership; and for that reason no corporation could compete with Government rates. The people having given the general Government sole control of inland transportation and the construction and operation of the roads, State authority to construct or operate roads would be forever gone, and if any new roads were thereafter constructed, it would have to be done by the general Government. As the population of the country increases, the necessity for new lines of road

will arise. "Watch-dogs of the treasury" may object to the spending of any money that their constituents have no chance of handling; and as an appropriation would be necessary before even a preliminary survey could be made, it might be extremely difficult to get new roads that the commerce of the country demanded. However, should Congress consent to the appropriation and pass the bill for that purpose, the President and his advisers might think that the road provided for, if built, would be in a "BADLY REGULATED MUNICIPALITY," or that the proposed line would help to develop the resources of an "undesirable State," and so "veto" the bill. Even should the railroad corporations cease to exist, all other kinds will probably continue to do business. Political contributions will be needed for some years to come, and, as a result, coal, iron, oil and other trusts and combines would probably be able to get new roads, for the purpose of "developing our home industries" in their particular neighborhoods, when the farmer and small manufacturers could not get their demands for a new road seriously considered.

Thirty years ago the United States Government owned and controlled one of the finest systems of inland waterways in the world. The steamboat whistle was heard at all points on the Mississippi and Missouri rivers, from the Gulf of Mexico to Fort Benton, Montana. Travelers on the great rivers were rarely out of sight of the smoke of rival boats. Freights and fares were low, because there was competition. Anyone who could raise the necessary amount of money could construct and operate a boat on equal terms with the richest corporations. There was no way in which the corporations could control the carrying trade on the rivers; a combination of capital could not secure a monop-



oly of water transportation; and the only way in which the carrying trade of the country could be monopolized was by destroying river navigation and building railroads. The corporations have most effectually destroyed river navigation by the following means: First, they have prevented sufficient appropriations for the improvement of the rivers. Second, they have procured Government license for bridging the rivers at innumerable points, thus rendering the navigation difficult and dangerous for large boats and fleets of barges laden with grain and other agricultural products. Third, for the purpose of driving steamboats from the rivers, lines of road paralleling the rivers have cut rates below operating expenses, for the sole purpose of getting the freights and passengers that would otherwise have gone by boat, and have made up their losses therein by charging extortionate rates to those on their lines who are forced to patronize the road. The opposition being disposed of, old high rates will in all cases be resumed. On the Mississippi and Missouri rivers and their tributaries, during the four years 1879, 1880, 1881 and 1882, there were 849 boats built, having an aggregate tonnage of 212,001 tons. During the four years 1893, 1894, 1895 and 1896, on the same rivers, 342 boats were built, having an aggregate tonnage of 42,542 tons. (See page 377, Statistical Abstract of the United States for 1896.) The annual appropriations by Congress for the improvement of the rivers do not amount to the one-hundredth part of the sum annually paid by the people for the maintenance of the railroads. River navigation, except as to a little local business where there happens to be no railroad and consequently no bridge, will soon be a thing of the past. The floating palaces of the great Western rivers have been driven from the waters by the railroad

corporations, who are now operating their roads for the "convenience of the public." In the destruction of river navigation we have a costly example of what the general Government can and will do at the bidding of the trusts and combines.

Many honest and well-meaning men are dreaming of the golden days of socialism that will come when the United States owns and operates the railroads and all other public works. They will yet awaken to the fact that we have for years been rushing at breakneck speed in the direction of imperialism. It is often argued that because some of the foreign Governments own and successfully operate a portion of the railroad mileage within their limits, the Government of the United States could do the same thing. The advocates of such a policy forget that there are many considerations which would prevent Federal ownership from being a success in this country, even though it may be so in the countries in which it has been adopted. No other Government in the world is composed of a great number of sovereign States having the rights and powers that belong to the States of this Union, the exercise of which is necessary to the existence of the States and of the Union itself. The most essential of these rights reserved by the States are the right to exercise the police power of the State, and the sole right to regulate its domestic affairs, which the Federal ownership of railroads would in a large measure prevent. This Union was not formed with the design of giving the general Government the right to interfere in any manner with the internal affairs of the States. To give it that power would take away the right of self-government, and give to the people living in one section of the country the right to prescribe the local rules of conduct that shall govern those

**TABLE No. 26.—A Table Showing to What Extent Government Ownership and Operation of Railways Obtains in the Principal Governments of the World.**

[From the Report of the Interstate Commerce Commission.]

Country.	Year.	Total Mileage.	Mileage Owned by State.	Mileage Owned by Private Companies.	Mileage Operated by State.	Mileage Operated by Private Companies.
Argentina.....	1893	8,053	620	7,433	620	7,433
Australasia.....	1893	12,660	10,619	2,041	10,619	2,041
Austria-Hungary.....	1893	17,619	7,044	10,575	12,924	4,696
Belgium.....	1893	2,810	2,018	792	2,018	792
Brazil.....	1892	6,375	1,700	4,675	1,700	4,675
Canada.....	1892	14,588	1,459	13,129	1,459	13,129
Cape of Good Hope.....	1892	2,444	2,252	192	2,252	192
Chili.....	1892	1,715	685	1,030	685	1,030
Columbia.....	1894	240	.....	240	.....	240
Denmark.....	1892	1,289	992	297	992	297
Egypt.....	1892	1,225	1,225	.....	1,225	.....
France.....	1893	*21,618	13,652	17,966	3,652	17,966
Germany.....	1892	26,971	23,848	3,123	24,144	2,827
Great Britain and Ireland.....	1893	20,325	.....	20,325	.....	20,325
Greece.....	1893	568	92	476	.....	568
Guatemala.....	1894	126	30	96	30	96
Holland.....	1891	1,630	873	757	.....	1,630
India, British.....	1893	*8,042	12,028	6,014	12,028	6,014
Italy.....	1890	78,106	75,272	2,834	.....	8,106
Japan.....	1891	1,221	55	1,166	55	1,166
Mexico.....	1893	6,900	.....	6,900	.....	6,900
Nicaragua.....	1894	122	122	.....	122	.....
Norway.....	1893	971	929	42	929	42
Paraguay.....	1893	156	.....	156	.....	156
Peru.....	1893	950	.....	950	.....	950
Portugal.....	1891	1,334	505	829	505	829
Russia, including Finland.....	1891	19,640	8,003	11,637	8,003	11,637
Spain.....	1893	6,708	.....	6,708	.....	6,708
Sweden.....	1892	5,254	1,770	3,484	1,770	3,484
Switzerland.....	1892	2,082	.....	2,082	.....	2,082
Turkey in Europe.....	1892	904	.....	904	.....	904
Turkey in Asia.....	1892	974	.....	974	.....	974
United States.....	1893	176,461	.....	176,461	.....	176,461
Uruguay.....	1893	993	.....	993	.....	993

\*Includes 1,957 miles of local interest.

†Includes 96 miles, owned jointly by State and private companies.

NOTE.—Where information of the apportionment of mileage operated between the State and private companies could not be obtained, it has been assumed that each operates the mileage which it owns.

living in another and distant State of the Union. Should we now adopt such a policy in the Federal ownership of railroads, an excuse would soon be found for extending

Federal interference to other matters pertaining to local government. The experiment would be an exceedingly dangerous one. No other government has one-sixth as much railroad mileage as there is in the United States.

Table No. 26, taken from the Report of the Interstate Commerce Commission for 1894, shows the extent of government ownership in railways in all parts of the world *at the time therein stated.*

## CHAPTER XII.

Proper State control of railroads, without ownership, impossible under present laws and decisions of the Federal courts.—What would be proper State control of the roads.—The exact amount to be earned on the value of the roads, not maximum rates, should be fixed by law.—Proper maximum rates always result in an injunction, or in corporation cutting its employees' wages to starvation rates.—The corporations are not satisfied with reasonable earnings, but want an average of \$8,000 per mile gross earnings.—State control without ownership has been, is and always will be a failure.—Export of agricultural products secures our national prosperity.—Our great loss, if our advantage of feeding Europe is taken from us.—Trans-Siberian Railway.—America's supremacy threatened.—Enormous grain-producing capacity of Canada and Russia.

If there is a better plan than United States ownership by which the railroads of the country may be properly managed in the interest of the whole people, that plan, not Federal ownership, should be adopted. The corporations are in favor of Federal control only. Having control of the United States Senate and owning many of the Federal judges, the corporations want to gather the fruits of their political efforts and contributions, by placing the control of the roads in the hands of their tools. It is true the corporations have not yet secured a working majority in the House of Representatives, but that body would be unable to enact any just railroad laws while the trusts retain control of the Senate. (See quotation from Twelfth Annual Report of the Interstate Commerce Commission, Chapter I.) With the *facts before them*, it is hardly possible that the people will

ever consent to Federal control of the railroads. State control without State ownership, and State ownership and control, are the only other plans by which it is proposed to control and manage the railroads of the country. While the Federal courts are giving expression to their tiresome platitudes about the States having the right to control the railroads and "protect the public against injustice and oppression," their rulings in all cases in which the corporations object to proper State control are such as to call forth such remarks as those above quoted from the chairman of the Board of Directors of the New York Central Railroad and senator from New York, Mr. Chauncey M. Depew, who said: "As to what are reasonable rates, the Supreme Court would finally decide." So long as the Federal judges are permitted to usurp the power of passing upon the reasonableness or unreasonableness of State laws, State control of the railroads without State ownership is impossible.

Proper State control without State ownership could be exercised only by the following means: The Legislature of each State would have to enact a law similar to that of the State of Texas, providing for the valuation of all the railroads in the State by the State Railroad Commission; the value of the roads to be ascertained by the employment of expert engineers, giving the corporations the right to appear and object to the value so fixed by the Commission, and in case of such objection being made, to at once proceed by due process of law to settle the question of the value of the road. Each road should be valued at the full amount it would cost to duplicate or reproduce it at the time the valuation is placed on it. This would not be difficult for a skilled engineer to do; the excavations and embankments are there, and can be measured to a cubic yard;

the bridges and trestles and tunnels and every physical feature of the road can be measured and its value ascertained; and if accurately reported, a dispute as to the amount would avail nothing to the corporation—the court could have it measured by an unprejudiced engineer. Everything necessary to the operation of the road should be given its full present value.

The actual value of the roads having been ascertained, the amount that may be earned as interest on that value, besides paying operating expenses, should be fixed by law, and if the net earnings exceed the amount allowed as interest, the surplus should go into a sinking fund, the property of the State, to be used in a further reduction of rates, or for the purchase of the road, should that become necessary on the part of the State.

Under no circumstances should a maximum rate be fixed, within which the earnings of the roads are to belong to the corporations, for the reason that if the rates be fixed low enough to afford only a reasonable rate of interest on the actual value of the roads over and above operating expenses, the corporations, if they do not enjoin the execution of the law, will at once cut the wages of all employees who operate the roads to starvation rates, in trying to pay interest on their bonds, and dividends on at least \$5,634,930,923 of stocks and bonds that never represented a dollar of investment in railroad construction (see Tables 5 and 14), and the results will be strikes and interruptions of public and private business. The corporations, having bonded the roads for much more than they are worth, will not be satisfied with earning a reasonable interest on the value of the roads, but will try to pay dividends on the *thousands* of millions of worthless stocks, and in trying to

do so, will not hesitate to starve and freeze the families of the faithful railroad employees. The States have no right to put it in the power of the corporations to oppress the most faithful body of working-men in the world.

The people pay the salaries and wages of all railroad officials and employees, and for that reason the State should fix the amount of such salaries and wages, which should not depend upon the earnings of the roads.

In order to know the exact cost of operating the roads, the law should require duplicate pay-rolls, and a weekly or monthly statement of all shipments and receipts of freight, an account of all tickets sold and passes issued, of all moneys received and paid out on account of repairs, betterments and supplies, or otherwise, to be made by all the roads to the State Railroad Commission. A failure to make such report should be punished by fine and imprisonment of the person required to make it.

No one should be allowed to ride on a pass except railroad employees whose employment requires them to go from one point to another on the line; the use of a pass by any other person should be made a misdemeanor, and in the case of a public officer, sufficient cause for removal from office.

Special rates should be abolished, except for the purpose of attending local celebrations, and in such cases should be limited to a few days. All other special rates having been abolished, a regular ticket, once bought and paid for, should entitle any legal holder to ride on it at any time thereafter.

Taxes should be abolished on every kind of property owned by the company which is necessary to the maintenance and operation of the road and is kept solely for that purpose.



A liberal interest should be allowed on the value of the property as ascertained and fixed by law. When the United States asked for bids on \$200,000,000 of 3-per-cent bonds, bids amounting to the sum of \$1,300,000,000 were received by the Secretary of the Treasury. This fact is strong evidence that capital is looking for permanent safe investment at 3 per cent interest. It may be suggested that patriotism prompted the people to subscribe to the loan—and that might be true when applied to the bids from Wall Street, but the working-people wanted the bonds because they are regarded as absolutely safe; and besides being exempt from taxation, it is certain that the interest they bear will be paid when due. Railroad bonds are taxed if the owner reports them to the assessor for that purpose, and therefore these bonds should bear a higher rate of interest than is paid by the Government. Each State would fix the rate of interest to be paid on the value of the roads within its jurisdiction, which would probably be about 5 per cent; and that would be enough, for, under proper State control, railroad bonds would be as safe as Government bonds, and if they returned 5 per cent interest, would be in much greater demand than the United States 3-per-cents.

The corporation officials and representatives never claim less, but always more, than they think the corporations are entitled to. The representatives of the corporations say they are entitled to net earnings of 6 per cent on the value of the roads.

Mr. Robinson, in his able article in the *North American Review*, before referred to, while speaking for the corporations and the bond- and stock-owners of the roads, contends for 6 per cent interest, and says:

A road which earns \$8,000 a mile, gross, can operate and pay taxes and then have 6 per cent left on \$40,000 a mile. That is not a condition that permits of extravagance, because no road running through a region sufficiently populated to produce \$8,000 a mile, gross, can have cost less than \$40,000 a mile to build. But such a road should keep solvent.

Mr. Robinson fails to tell the public what possible influence the population of the region can have on the number of cubic yards of earth or rock that must be moved in grading the road-bed, the price of ties, rails and rolling stock, or on the number, length and height of trestles and bridges that must be built in the construction of the road. A densely populated region is usually a comparatively level one, through which the cost of the building of a railroad is not great. It is true that in a thickly settled country the right of way, which is at most but 12 + and is frequently but 9 + or 6 + acres per mile, if not donated (as it usually is), would cost a little more than in a new country, and the same of lands for terminal facilities, and there would be a few more depots and a little more rolling stock required in the thickly settled region than in the new country; but all these increased costs could not amount to more than \$5,000 per mile on a road of any considerable length.

It will be seen in Table No. 16 that the net income from operation alone in 1898 was \$429,352,345. It appears from Table No. 15 that the total value of all the roads on June 30, 1898, was not more than \$3,954,596,470, on which amount 6 per cent interest, amounting to the sum of \$237,275,788, could have been paid out of the net earnings for 1898, and have left to the producers of the country the sum of \$192,076,557. The average per cent borne by all the railroad bonds in 1897 was 4.56 per cent. The people could have

paid out of the net earnings of the roads in 1898, 5 per cent on the value of the roads and have had left the sum of \$231,622,522. Under proper management the people could pay 6 per cent interest on the present value of all the roads, pay the laborers on the roads much better wages than they now get, and reduce the present rates one-half. All traffic, passenger and freight associations should be abolished. The law should reduce the number of "general" and "other" railroad officers, and restrict their salaries to about the amount now paid to United States, State and county officials. No railroad president should receive a greater salary than is paid to the Secretary of State or of the Treasury of the United States. Men whose families are thinly clad in the winter season help to pay these \$50,000 and \$75,000 salaries to railroad presidents, and all other extortionate salaries received by railroad officials. Little children go hungry and shiver in the winter wind, in order that "the many parasites on corporate management," spoken of by the Interstate Commerce Commission, may live in palaces and travel in Europe. Men living in sod-houses in Nebraska, Minnesota and the Dakotas helped to pay the expense of rebuilding and refurbishing Blenheim Castle. The people themselves are to be blamed if they continue to submit to the imposition and extortion that has so long been practiced upon them by the agents of these "artificial persons" called railroad corporations.

All railroads in the construction of which the corporations received private donations or exercised the power of eminent domain are public highways, and, regardless of charter or other provisions, are subject to State control. State control without ownership would leave the roads in *the hands of* and under the immediate management of the

corporations, with their combined power and corrupting influences constantly at work against the public, for the advancement of their private interests. It would be of the greatest advantage to all the producers of the country to have the matter of railroad transportation settled on a just basis, but to no class of producers would it bring such advantages as would accrue to the farmers of the United States. There has for many years been a gradual decline in the prices of nearly all of the products of the farm. This decline has at times been temporarily arrested by the failure of crops in other countries, and the attempt on the part of speculators to corner the market; but the general course has been downward, and the result has been a decline in the value of farming lands in nearly all the grain-producing States. The farmer, while furnishing the articles of export that give us the balance of trade which secures to some extent the general welfare of the country, has himself, year by year, grown poorer through a gradual decline in the value of his land. It has for many years been the boast of politicians that America feeds the world, and that this fact will always secure our national prosperity. If it be true that our prosperity comes from our agricultural exports, then it follows that the prosperity of the country depends upon the farmer, for, without his labors, there would be no balance of trade in our favor. A recent article in the *New York World* is well worth studying, for it gives some figures that are not known by all the people concerning our foreign commerce, for the year ending June 30, 1898. The *World* says as follows upon that subject:

*America's Chief Protection the Fact That She Feeds the World.*

The figures of our foreign commerce for the fiscal year ending June 30th are eloquent and instructive,

Our total exports exceeded \$1,200,000,000—a record-breaking figure. Of these, the products of agriculture exported amounted to \$854,627,929, an increase of more than \$170,000,000 over the figures of the preceding year.

Of the total increase in our exports, which was almost wholly of agricultural products, the increase to European countries was \$160,000,000. These customers of ours took altogether \$973,699,289 of our products. So much is "abroad" to us!

In other words, we feed Europe. In spite of the hostility of Germany and France to the American hog, and in spite of every kind of petty opposition to and persecution of our exporting industry, we are still the world's granary and the source of its food-supply.

Any interruption in this supply would mean a disturbance of values and prices in every European market such as few European governments could stand. The first result would be the absolute hunger of the working classes, of the bread-winners and of the bread-eaters. Riots and anarchy and the overturning of governments and dynasties would be the ultimate result of any long-continued interruption of the American food-supply.

The peace and security of the United States are guaranteed by its crops. So long as our farmers furnish the military camps of Europe with their rations, there is no danger of their disturbing our peaceful supremacy.

If the interruption of America's food-supply should be attended by such disturbances of values and prices in every European market as is predicted by the writer of the *World* article, what would it mean to the farmers of this country if it should happen that the great advantage of feeding Europe were suddenly taken away from us, and that a large part of the food supplies that Europe now gets from the United States were furnished by another country? What effect would that loss of trade have on the price of farming lands in the United States? What would be the condition of the 27,000,000 people who are supported by agriculture?

What would be the condition of the farmers and their families, whose lands are heavily mortgaged? What wages would the laborer get with the price of wheat, corn and cattle too low to afford the farmer any profit in raising them? Would it not necessarily happen that the wages of the laborer in the United States would quickly go to the level of the wages of the laborer in Europe?

Anyone who should predict that within the next five years the United States will cease to be the granary of Europe would be called a pessimist or an alarmist—to say nothing of the other hard names that the jingo and the optimist would apply to him. And yet it is certain that within the next three years—in 1902—the great Trans-Siberian Railway will be completed to the Yellow Sea. The trunk line of this road will be, when completed, almost 5,000 miles long. It is being constructed by the Russian Government for military and commercial purposes. With its branch lines, it will provide an ample outlet for the agricultural and other products of the vast territory of northern Russia and Siberia, which up to this time have been shut out from the markets of Europe by lack of transportation facilities. It is said that almost every mile of the road will pass through one of the best grain-producing regions of the world. In 1897 the United States produced 492,000,000 bushels of wheat; in the same year Russia produced 387,035,000 bushels, and Canada's production was 51,075,000 bushels.

The Russian Agricultural Ministry gives the grain crops of that country for 1898 as follows: 417,450,000 bushels of wheat, 717,786,000 bushels of rye, 320,141,000 bushels of barley, 606,861,000 bushels of oats, and 42,779,000 bushels of maize (corn). It is alleged that with proper transportation facilities the output of Russian grain can be increased

threefold. In northern Russia and Siberia beef retails at 2 cents per pound.

The area of the United States and the Territories is 3,602,990 square miles; the area of the Russian empire is 8,644,100 square miles. The area of Canada is 3,457,000 square miles. The wheat belt of Canada is 500 miles wide and 2,000 miles long, and it is being rapidly settled by emigrants from the United States and Europe, who are taking up the land for the purpose of raising wheat, barley, rye and oats. Many branch lines of railroad are being constructed from the Canadian Pacific through this newly settled region, which will at once give the inhabitants an outlet for the products of their farms. We have recently seen what the Canadian Pacific Railroad can do in the way of low rates. The great territorial extent of the grain-producing regions, both in Russia and Canada, renders it extremely improbable that there will ever be a general failure of crops in either of those countries. It is Russian competition, however, from which the American farmer has most to fear; and it would be worse than foolish to disregard the present indications of what will be sure to come when the Siberian road is finished. In order to meet foreign competition in the markets of the world, if the American farmer can successfully do so at all, it will be necessary for him to have the lowest possible freight rates from every part of the interior of the country to the seaports. If such rates are secured, it will be done solely by the people to be benefited thereby; that is, by the farmers and other producers, and their laborers and employees. But should other producers fail to take part in the contest for just rates, the farmers and their employees, if united as they should be on *the transportation question*, can unaided win the battle.

## CHAPTER XIII.

State ownership of the railroads would relieve the roads of the "parasites by whom their revenues are sucked up."—It would prevent the payment of \$25,000,000 a year to useless railroad officials.—It would prevent "strikes."—It would prevent the use of the roads in the interest of trusts and against the people.—State ownership would prevent the use of railroad funds for the purpose of corrupting public officials.—State ownership would secure just and equal rates to all parts of the country.—It would prevent the increase of rates on heavy crops and discriminations in favor of the East against the West.—State ownership of the roads would not bring with it the evils that would attend United States ownership.—Corporation ownership of the railroads unjust to producers.—States in buying the roads could issue bonds bearing  $3\frac{1}{2}$  per cent interest and at present rates of fares and freights could give \$1,000,000,000 more than the roads are worth and fully pay them in sixteen years.—Under State ownership operating expenses would decrease and better wages be paid.—Natural shipping points for Western States.—Why corporations cannot give as low rates as the States would give.—Enormous earnings of the railroads.—Thousands of millions would have been saved to the producers had the States constructed the roads.

State control, through ownership of the railroads within its jurisdiction, properly exercised by each State in the Union, would wholly reform the following abuses in the present management of the roads. It would result in striking from the pay-rolls of the companies the names of the thousands of "parasites" by whom the revenues of the roads are now sucked up, as described by the Interstate Commerce Commission. It would prevent the payment of enormous



salaries to the necessary railroad officials, and the cutting down of other employees' wages to starvation rates. State control, by providing for fair wages to all railroad employees, would prevent strikes, resulting in riots, disturbances of the public peace, destruction of property and obstructions to commerce. It would prevent discriminations in rates against persons and places in favor of corporations and trusts, and the payments of rebates amounting to many millions of dollars each year, to such organizations as the Standard Oil Company, the Federal Steel Company and other trusts and combines. Proper State control of the railroads would prevent the using of railroad funds which come from the pockets of the producers, for political purposes and for bribing United States and State executive, legislative and judicial officers to act against the interest of the people. It would prevent the issuing of railroad passes to a vast number of persons, at the expense of those who pay the fares and freights. The advantages that the ownership and control of the railroads by the several States will insure are as follows: Much lower local rates, anywhere on any trans-continental line between the Mississippi River and the Pacific Ocean and in all other parts of the Union, than they now have in the States of Massachusetts and New York. Under proper State control, grain rates on the roads will not be advanced, as soon as it is ascertained that the year's crops will be large, thus causing high freights and low prices to overcome the advantages of bountiful crops. When the crops are large, railroad rates on farm products should be reduced, instead of being increased as they now are, in order, as the railroad organs say, that the "roads may participate in the prosperity caused by good crops." Railroads *have the right* to earn as net profits only a fair rate of

interest on the actual value of the physical property of the roads. The corporations never make up to farmers their losses through droughts, wet weather, chinch-bugs, grasshoppers, northers and low prices, but earn annually, regardless of whether the crops are good or bad, twice more than a reasonable rate of interest on the value of all the roads. The Federal Government can lawfully have no interest which is antagonistic to that of any one of the several States or Territories. The promotion of the general welfare of all the States and Territories was the purpose for which the Union was formed, not for the sole advantage of a little group of Eastern States, which now enjoys the advantages of comparatively reasonable railroad rates under present methods, at the expense of all the other States. The vast products of the Northwest, West and Southwest converging on the Eastern lines, on their way to the Atlantic ports, enable these Eastern roads to earn such enormous sums, which come from the pockets of the producers of the other sections of the Union, that they are enabled to give the people of the Eastern States much lower local fares and freights than are afforded to the people of any other section of the Union. The lower local rates, in the Eastern States, are not based on local earnings; many of the worn-out and abandoned Eastern farms do not produce enough to keep life in an industrious crew. The Eastern railroad officials, in fixing local rates, do exactly the things that Mr. Justice Harlan says the people of Nebraska shall not do; they take into consideration their earnings on interstate commerce, otherwise they could not give such low local rates and pay the interest and dividends on their enormously over-stocked and over-bonded roads. Merchandise of every description, whether imported or manufactured in these Eastern States,

starts on its way to all other sections of the country, over these Eastern roads. The corporations do nothing from a sense of justice; policy controls all their acts. The more favorable rates given to the people of the Eastern States insure solid congressional delegations from those States, in favor of the corporations, and make it possible for them to send from the State of New York to the United States Senate Mr. Depew, the chairman of the Board of Directors of the most over-stocked and over-bonded railroad system in the world. In his decision in the case of *Smith vs. Ames*, Mr. Justice Harlan says the earnings in the State by the trunk lines on interstate business cannot be considered by the State Railroad Commission in fixing local rates, because those earnings are on rates fixed by the Interstate Commerce Commission, over which the State Railroad Commission has no control. This senseless, illogical point in the decision shows to what sore straits the Supreme Court is put, in trying to find reasons for favoring the corporations. How, by any possibility, could the State Railroad Commission in fixing local rates, by taking into consideration the earnings of the roads within the State on interstate business, on rates fixed by the Interstate Commerce Commission, interfere with the powers and duties of that body? How, by any other means than by taking into consideration the *local* as well as the *interstate* earnings of the roads, can the Interstate Commerce Commission fix reasonable interstate rates? Railroads doing an interstate business must have roads or connecting roads in two or more States, and those portions of the roads lying in separate States must have a certain value on which, according to many decisions of the Federal Supreme Court, the corporations are entitled to earn only *a reasonable rate of interest*. What possible difference can

it make to the Supreme Court and the Federal Government if that reasonable rate of interest is earned partly on interstate and partly on local business? How can it be earned otherwise, if just interstate and local rates prevail? The decision in *Smith vs. Ames* must convince anyone who has sense enough to read it, that the Supreme Court wants the railroads to receive at least twice a reasonable rate of interest on their value. First, that the net earnings of the roads on their interstate business shall be at least a reasonable rate of interest on their value; second, that the roads shall have the right to fix such local rates in each State as will pay a reasonable rate of interest on about twice the value of the roads—\$30,000 per mile. If Judge Harlan is right, and the railroads are to be allowed to earn on their local business a reasonable rate of interest on their value, for what purpose will the vast sums earned on interstate commerce be used?

In 1897 California shipped east over the different trans-continental lines of railroad 48,000 car-loads, and in 1898 56,000 car-loads of wine, brandy, nuts, fruits and vegetables, all of which was interstate commerce, on which, at the average rate of \$400 per car-load, the earnings were \$41,600,000 for the two years, which is only a drop to a bucketful when compared to the annual earnings of each of the overland lines, on Oriental and other freight going east, and the hundreds of thousands of car-loads of groceries, dry goods, machinery, hardware and other supplies going west, to say nothing of the many train-loads of passengers daily traveling east and west over these lines, all of which is interstate traffic and cannot, under the decision in *Smith vs. Ames*, be considered by the Railroad Commissions of the different States through which the roads pass, in fixing local rates.

Under proper State control, aided by proper Federal legislation, all earnings of the roads—local and interstate—will be considered by the State Commissions in fixing local rates, and by the Interstate Commission in fixing interstate rates. The State Commissions will report the amount of local earnings to the Interstate Commission, and the Interstate Commission will annually, or as often as necessary for the purpose, report to each State the earnings of its roads on interstate traffic. There will be no clash of authority; everything connected with the construction, operation and maintenance of the roads will be under the control of each State in which the roads are located. The Interstate Commerce Commission would control interstate rates and earnings. Under such a regulation, the local rates in Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming would be as low on the trunk lines as they are anywhere else in the Union, and interstate rates into those States and Territories would be two-thirds less than they now are.

State ownership would not bring with it the evils that would attend United States ownership. There being fifty States and Territories, the power of appointing to positions on the roads would be divided among that number of executives or boards having separate interests, instead of being lodged in the hands of one person or board. The government of these fifty States and Territories would probably never all be at the same time under the control of one and the same political party, and that fact would prevent a unity of action on the part of the State railroad authorities against the interests of the people. The government of each political division would be confined to the control of the railroads within its jurisdiction, while United States con-

trol over interstate commerce would prevent the unjust discrimination of any State against the commerce of a sister State. State ownership would not bring with it such tiresome red-tape rules as prevail in all Federal business transactions. Under State ownership, in case of any disagreement between the patrons of the road and the road officials, the fountain-head of justice would be near home; a man could nearly always get redress, if entitled to it, in the State where the injury was received. The impositions of this foreign corporation business would cease under State ownership. The "insolence of office" in the road officials would not reach that degree under State ownership that is found in the United States official who has a friend at court. If the abuse of requiring political funds to be raised by the heads of departments by contributions from their subordinates to help carry doubtful States is to be continued, under State ownership they would not all go to assist one of the political parties, as they would under the ownership of the general Government.

There might be many more reasons given in favor of State ownership as against United States ownership. Should the people of the State conclude to buy the roads within its borders, they could make the bonds upon which the money was borrowed for that purpose exempt from taxation within the State, and thus find plenty of purchasers for bonds bearing  $3\frac{1}{2}$  per cent interest, redeemable at the option of the State after a certain number of years. From the fact that they would be taxable anywhere outside of the State, such a provision would tend to keep the bonds at home. There might be constitutional objections in some of the States against making the bonds exempt from taxation, but as it would be to the advantage of all the citizens

to get bonds issued bearing the lowest possible rate of interest, and consequently getting a low rate of fares and freights, the objection could be easily overcome by amending the Constitution for the sole purpose of issuing such bonds. There is at the present time more than \$2,000,000,000—one-half enough to buy all the railroads in the United States—in the savings banks of the country, every dollar of which would quickly go into such bonds as above described, issued by the States for the purchase of the railroads, for the reason that the money invested in such bonds would not be taxed, would draw better interest than the savings banks pay, and would be just as safe as if invested in United States bonds. Does anyone suppose that the State of Texas would have any difficulty in borrowing \$150,000,000 on 3½ per cent non-taxable bonds issued for the purpose of buying the railroads of the State? No doubt much of the whole amount would be taken by the people living in the State. The assessed valuation of the property in Texas in 1895 was \$865,120,989; its actual value is probably three times that amount. Should the State buy the railroads, a sinking fund could be created, into which a sufficient per cent of the earnings of the roads could be paid each year to redeem the bonds at maturity, the interest promptly paid, and at the same time the people have lower rates than the roads now give them. The States should take the roads under the power of “*eminent domain*” in order to protect the people against oppressive rates.

It is argued by some that in the event of the public buying the railroads, instead of paying their present value, the price paid should be the amount that it cost the corporations to construct them; because, they say, had the public constructed the roads, they would have cost the people as

much as they cost the corporations—which is doubtful. But were it true, these honest souls forget that if the people had built the roads, they would not for the last sixty years or less have been paying enormous rates while the high-priced materials and rolling stock were being worn out and replaced at little cost.

Under State ownership the property secured in the purchase of the roads would be different from almost any other kind of property bought by the State, in this, that while almost all other kinds of State property are a constant expense to the people after purchase, without affording much or any return therefor, railroads would not only pay for and maintain themselves, but would also be a constant source of profit to the people by giving them cheap transportation.

Under State ownership the State would be in a position to properly exercise the police power that belongs to it, and that it alone should be permitted to exercise. Under honest civil-service rules, the roads would be taken out of politics. Competitive examinations would secure capable and honest employees and officers, just wages would be paid, and railroad strikes would no longer disturb the peace and cripple the commerce of the country. Railroad corporations having ceased to exist, the roads would take their proper place with the other public highways of the State. No roads would be constructed for the purpose of speculation, but would be built with due regard to the lines of commerce and the needs of the people.

Under State ownership new lines of road could be constructed in the several States whenever and wherever necessary, without first obtaining permission from the representatives of the people living in distant States. No sectionalism growing out of business interests would enter into the



question of the location of new lines under State ownership, such as would more or less control the construction of new roads under United States ownership.

Railroads are no longer an experiment. When constructed, they at once become public roads for all future time, and it is probable that the building of new roads will keep pace with the cheapening processes of new inventions and the growth of population. This eternal contest between the people and the corporations should be ended. There is but one way to end it, and that is by public ownership of the railroads. To leave the public highways of the country in the hands of and under the control of the corporations is to continue the unjust system of levying heavy taxes against the producers of the country, for the benefit of private parties. The American people boast of their superior fitness for self-government, and because of that alleged superiority claim the right to dictate a form of government to alien people, and enforce the claim with shot and shell, yet for more than sixty-five years the public highways of the different States of the Union have remained under the control of corporations formed for the purpose of sharing, not the toil, but the reward of the laborer. This worse than tithing system is permitted by the producers of the country because they are told that the people of the several States, who authorize and aid in the construction of these public highways, are not sufficiently advanced in the science of government to enable them to properly regulate and control the use of the highways after they are constructed. The people seem to act upon the theory, that after the roads are finished, only such men as Mr. Morgan, Mr. Vanderbilt, Mr. Gould, Mr. Huntington and their colleagues in Wall Street can properly operate them. The railroad (?) men in Wall Street

operate the stocks and bonds. The men upon whose care and skill the safety and lives of the traveling public depend are superintendents, conductors, engineers, firemen, train-dispatchers, telegraph operators, switchmen, flagmen, watchmen and track-men, all of whom would work even more cheerfully for the State than they work for the corporations. Should the several States take the railroads within their borders under the power of eminent domain, there would be no lack of men to operate them as well or better than they are now operated. Table No. 23 shows that in all Europe prior to 1894 the operating expenses of the railroads amounted to 54 per cent of the gross earnings from operation, while Table No. 16 shows that in the United States in 1898 the operating expenses of the railroads amounted to 65.57 per cent of the gross earnings from operation. It is the opinion of many experienced railroad men that, by abolishing taxes on the roads, all passes except to employees whose duties require them to go from one point to another on the road, and all special rates, and reducing officers' salaries to a just amount, the operating expenses of the roads in the United States could be reduced to 55 per cent of the gross earnings from operation, and at the same time increase the wages of underpaid employees. By reducing the operating expenses to 60 per cent of the gross earnings from operation, the people of the several States can pay in the aggregate \$5,000,000,000 for all the railroads that were in the United States on June 30, 1898, which Table No. 15 shows were worth only \$3,954,596,470 at that time, and fully pay for them in sixteen years out of the earnings of the roads, without increasing the rates of fares and freights that were in force in 1898, which will produce the sum of \$1,133,663,605 per year from operation, that being the aver-

*Table No. 27.—The Several States Buy Their Railroads and Issue Bonds Therefor.*

Total value of all roads bought by the States.....	\$5,000,000,000
Net income of railroads per annum.....	430,000,000
Net income of railroads for five years.....	2,150,000,000
Interest on non-taxable 3½ per cent bonds five years..	875,000,000
Surplus for redemption of bonds at end of five years..	1,275,000,000
Outstanding bonds, sixth year.....	3,725,000,000
Interest on bonds, sixth year.....	130,375,000
Surplus for redemption of bonds at end of six years....	299,625,000
Outstanding bonds, seventh year.....	3,425,375,000
Interest on bonds, seventh year.....	119,888,125
Surplus for redemption of bonds, end of seventh year..	310,111,875
Outstanding bonds, eighth year.....	3,115,263,125
Interest on bonds, eighth year.....	109,034,209
Surplus for redemption of bonds, end of eighth year....	320,965,791
Outstanding bonds, ninth year.....	2,794,297,334
Interest on bonds, ninth year.....	97,800,406
Surplus for redemption of bonds, end of ninth year....	332,199,594
Outstanding bonds, tenth year.....	2,462,097,740
Interest on bonds, tenth year.....	86,173,420
Surplus for redemption of bonds, end of tenth year....	343,826,580
Outstanding bonds, eleventh year.....	2,118,271,160
Interest on bonds, eleventh year.....	74,139,490
Surplus for redemption of bonds, end of eleventh year..	355,860,510
Outstanding bonds, twelfth year.....	1,762,410,650
Interest on bonds, twelfth year.....	61,684,372
Surplus for redemption of bonds, end of twelfth year...	368,315,628
Outstanding bonds, thirteenth year.....	1,394,095,022
Interest on bonds, thirteenth year.....	48,793,325
Surplus for redemption of bonds, end of thirteenth year..	381,206,675
Outstanding bonds, fourteenth year.....	1,012,888,347
Interest on bonds, fourteenth year.....	35,451,092
Surplus for redemption of bonds, end of fourteenth year..	394,548,908
Outstanding bonds, fifteenth year.....	618,339,439
Interest on bonds, fifteenth year.....	21,641,880
Surplus for redemption of bonds, end of fifteenth year..	408,358,120
Outstanding bonds, sixteenth year.....	209,981,319
Interest on bonds, sixteenth year.....	7,349,346
Surplus for redemption of bonds, end of sixteenth year..	422,650,654
Surplus after paying for all sixteen years.....	212,669,335

age sum per year produced from operation from June 30, 1893, to June 30, 1898. This the people can do by placing a valuation on the railroads in the same manner that they have been valued in the State of Texas. Take them at their actual value under the power of eminent domain, and raise the money for the payment of the purchase price of the roads by issuing  $3\frac{1}{2}$  per cent (non-taxable in the State) railroad bonds, in the exact amount the roads cost the State; the bonds to be at all events redeemed in twenty years, and to be subject to redemption after five years at the option of the State. Suppose the gross earnings of the roads to be \$1,133,663,605 per year for sixteen years, and the operating expenses to be 60 per cent of the gross earnings, or \$680,198,163 per year, and there would remain each year as net earnings from operation the sum of \$453,465,442. By setting apart from net earnings the sum of \$23,465,442 each year for incidental expenses and betterments, there would remain the sum of \$430,000,000 each year for the payment of interest and the redemption of bonds, which, as shown by Table No. 27, would all be redeemed in sixteen years.

If, during the sixteen years, the gross earnings from operation increase in any of the States, the rates can be lowered accordingly. The construction of any new lines, demanded by the growth of population or the commerce of the country, could be provided for by the issue of bonds similar to those issued for the purchase of the roads. Such bonds, if issued only in amount equal to the actual value of the roads, would always sell at a premium. The roads should be paid for, at the earliest day possible, and should then be, in fact, "operated for the convenience of the public," and only such rates charged as would pay operating expenses and maintain the roads in first-class condition. No State

should attempt to make one cent of profit out of the operation of its roads further than what would accrue to its citizens by reason of low fares and freights and unrestricted commerce and communication between all parts of the Union. The present mileage so operated would leave annually with the people about \$500,000,000 that they now pay out for fares and freights. The farmers' lands would be increased in value from 50 to 100 per cent and other real estate in proportion. Under proper State ownership, all railroad accounts would be open to the public, the exact cost of maintaining and operating the roads would be known to all who cared to ascertain the fact. Should any State attempt to maintain rates higher than necessary for the operation and maintenance of its roads, it would do so to the injury of its own citizens only, for the Interstate Commerce Commission would regulate the rates on all fares and freights crossing State lines. Each State would make such reports to the Interstate Commission as would enable that department to know to a dollar how much it cost the State to properly operate and maintain its roads. The Interstate Commerce Commission should be composed of members selected by the people of the different States or groups, and presided over by a chairman of their own selection. The member from each State or group of States would look out for the interest of his constituents. No private party or corporation would own any of the rolling stock on a State road. No man or corporation whatever would have any advantage of any kind in rates, because of furnishing large shipments of freight or of loading or switching cars. The farmer and small manufacturer would ship their single car-load at *exactly* the same rates paid by the heaviest dealers or *greatest manufacturers*. Under proper regulations each State

would establish strict civil-service rules in the management and operation of its roads. No man would be employed in any capacity whatever, from that of general superintendent to track-walker, without first passing examination as to his fitness for the position to be filled by him, and being competent, he would know to a certainty that, regardless of his politics, he could retain the place so long as he properly discharged the duties assigned him.

The Federal Government, which should neither build nor own any of the roads, might create the "Department of Transportation" for the control of interstate commerce and transportation facilities between all parts of the country. It may be suggested that a refusal on the part of the people of some of the States to buy the roads in their State will prevent the people of other States from securing just rates by State ownership, and that the corporations can defeat State ownership of the railroads by giving to the people of the Eastern States lower rates at the expense of the Western people, and thus reconcile the East to corporation control of the railroads.

The answer to this suggestion is this: the corporations depend to a very large extent on the Western States for their revenue, while the people of the Western, Northwestern, Southern and Southwestern States do not at all depend on the people of the East for relief from oppressive railroad rates, and while the people of all the States would be very greatly benefited by State ownership of the roads, the people of the great producing States west of the Mississippi River are more interested in getting cheaper rates for their vast products than are the people of any of the other States. A tier of States, on either side of a line drawn from Port Arthur, Texas, to Fargo, North Dakota, are those that

would be especially benefited by lower railroad rates, for they are nearly all great grain- and stock-producing States. From any point in this vast territory the haul is down-grade to Port Arthur or Galveston, which are the natural shipping-points for the following States and Territories, to-wit: Texas, New Mexico, Colorado, Wyoming, Montana, North Dakota, South Dakota, Minnesota, Iowa, Nebraska, Kansas, Missouri, Oklahoma, Indian Territory, Louisiana and Arkansas. The people of these States and Territories should be the first to adopt State ownership of railroads. The United States should buy the railroads in the Territories on account of and for the benefit of the Territories, and operate them until Statehood is granted, and then turn them over to the State on the payment of the price of the roads. Should a State offer for its railroads all they are worth, and the corporations refuse the offer and go into the United States court to enjoin the State from taking the roads, the State should at once construct a needed line of road with a view of connecting with the roads of other States, and reaching the Gulf by the most direct route.

The corporations cannot possibly compete with the States in the construction and operation of railroads, for while the State can buy materials as low as the corporations can, the State roads will pay no taxes, nor will the State roads issue any stock at all, or have any indebtedness of any kind except for full value received. How would it be possible for the over-stocked and over-bonded roads of the corporations to compete with the State roads that had an indebtedness only for their actual cost, represented by bonds bearing but  $3\frac{1}{2}$  per cent interest until the roads are paid for, and thereafter charging such rates only as would *pay the expenses of operating and maintaining them?*

Under any circumstances it is the duty of the State to construct, own and control its public highways. Railroads are simply improved highways. No man, no corporation, can possibly construct a railroad of any considerable length, at reasonable cost, without exercising the highest power of government—the power of eminent domain, the right of the State to take, against the will of its owner, private property for public use upon the tender of its just value. If the State constructed, owned and operated the railroads, it could not discriminate against or in favor of persons and places. The State cannot legally put it into the power of a corporation, to use its public highways in a manner that it could not itself use them, in a manner that is detrimental to the interests of a great majority of its citizens. The State cannot divest itself of the duty of “providing convenient ways for the public necessity.” (See quotation from Professor Greenleaf, Chapter IX.) As well might the State charter private corporations to establish, conduct and control its public schools, to assess and collect the public taxes, or to enact the public laws for the government of the people, as to charter a corporation with power to construct, own and control the public highways between the farms and factories of its people and the points at which the products of their labor must find a market. It is shown in Chapter IV. that the gross earnings of all the railroads in the United States from 1871 to June 30, 1898, inclusive, was \$22,770,116,414 (see page 353, Statistical Abstract of the United States for 1898), which is an average annual gross earning of \$6,796.13 for each mile of main line of road operated. Prior to 1871 the rates were very much higher, and the gross earnings of the roads per mile of main line operated were greater than they have been since; but supposing the average gross earn-



ings per mile of main line operated to have been the same prior to 1871 that they have been since 1870, and we have the further sum of \$7,193,298,700 as gross earnings from 1830 to 1870, inclusive. By adding the estimated gross earnings of the railroads prior to 1871 to what the statistics show have been the gross earnings of the roads from 1871 to June 30, 1898, inclusive, we have the enormous sum of \$29,963,415,114 as the gross earnings of all the railroads in the United States from 1830 to June 30, 1898, inclusive. We have seen, in Table No. 23, that the average expense of maintaining and operating the railroads in all Europe is 54 per cent of the annual gross earnings of the roads. The expense of maintaining and operating the railroads in the United States could at all times have been as low as 60 per cent of the gross earnings from operation, without cutting the wages of employees; 60 per cent of the gross earnings of the railroads in the United States from 1830 to June 30, 1898, amounts to the sum of \$17,978,049,068, which amount taken from the total gross earnings for the same time leaves the sum of \$11,985,366,046 net earnings, out of which to pay the cost of constructing and equipping the roads and interest on the same pending payment. Table No. 14 shows that all the railroads in the United States on June 30, 1898, if honestly constructed, could not have cost more than \$5,185,735,203. Had the different States constructed the roads within their several boundaries and issued bonds to the amount of the actual cost of the roads, the bonds to bear 5 per cent interest, and to run twenty years or redeemable after five years at the option of the State, the same gross earnings for the States that the roads have made *for the corporations* would have paid all operating expenses, principal and interest on each issue of bonds in

twenty years, on the same plan as shown in Table No. 27, and all the railroads in the United States on June 30, 1898, would have cost in principal and interest the sum of \$8,199,857,711, which sum taken from the net earnings, \$11,985,366,046, leaves the sum of \$3,785,508,335, that would have remained in the hands of the producers of the country, while the States would now own all their railroads and have them fully paid for, and the rates now charged would be such as would pay only operating expenses and the cost of maintaining the roads, and there would annually remain in the hands of the people at least \$430,000,000, that are now taken from them in fares and freights by the corporations and paid to trusts, syndicates and foreign stock-and bond-holders.

State ownership of the railroads will be opposed by the friends of the corporations, by those who favor United States ownership of the roads, and by those who are opposed to any kind of public ownership of the railroads. Those opposed to State ownership will point out the fact that several of the States have owned short lines of railroad that were unprofitable investments and that nearly all of these States were glad to sell their roads to the corporations having connecting lines. The answer to such arguments and statements against State ownership is this: State and Federal ownership of the railroads are both directly opposed to the interests of the corporations. Had either the State or the Federal Government constructed and operated the railroads, the Vanderbilts, the Goulds, the Huntingtons and some hundreds of their kind would not now be in evidence, the "Standard Oil" trust and the "Iron and Steel" trust and many other combines would never have been heard of, and Mr. Morgan would never have

been "*King of the Rail*," under public ownership, but in the absence of such luxuries, we should now have about 5,000,000 farms without mortgage incumbrances. The ownership of two or three hundred miles of local line by either the State or Federal Government in any State or Territory would necessarily be against the interests of the corporations that owned thousands of miles of road in the same State or Territory, and the result would be that for the purpose of getting the business away from the State road the corporations would resort to the unlawful acts spoken of by the Interstate Commerce Commission. (Cited in Chapter I.) The corporations would unite in diverting traffic away from the State road by boycotting it in every way possible, and naturally the result would be disastrous to it. But the ownership of a short local line of railroad, is quite different from the ownership of the entire mileage of the State, whether that mileage be 223.05 miles of main line, as would be the case in the State of Rhode Island, or 10,851.67 miles of main line, which would be the mileage of the State roads in Illinois under State ownership. Under State ownership "*King Morgan*," the Vanderbilts, Goulds, Huntingtons and their kind would at once be eliminated from the railroad question; railroad stocks would be wiped out and after a few years there would be no railroad bonds, except those issued in the construction of new lines, and they would run but a few years, and would be at all times as good as United States bonds. Paying for the roads in a few years under State ownership as proposed in Table No. 27 would not be like paying any other kind of a public debt. Every dollar paid in making the roads State property would add a corresponding amount to the value of the farming or grazing *lands of the State*, in the same manner that the building of *new houses, barns, corrals or fences* would add to the value of the land.

## CHAPTER XIV.

How State ownership of the railroads can be accomplished.—All who labor will be benefited by public ownership.—Trusts and combines could not get special rates under public ownership.—Farmers and other producers should unite for relief from oppressive rates.—Organization necessary.—Producers' ticket should not be nominated unless absolutely necessary.—If the two leading parties both fail to adopt acceptable "platforms" and name satisfactory candidates, producers should put a ticket in the field.—What the combined votes of the producers can accomplish.—Votes should not be wasted on candidates of minor parties.—Millions of independent voters can force proper issues.—Men who have acted in the interest of the corporations and trusts, or who have held office and failed to oppose them, are not fit candidates to receive the producers' votes.—Platforms of the two leading parties should be carefully examined before receiving the support of the producers.—Necessity for careful selection of candidates.—Every candidate should be required to publicly state his position on the question of the public ownership of the railroads.—Benefits that will come with State ownership of railroads.

The evils attending corporation ownership of the public highways having become unbearable, a speedy remedy for the relief of the people is necessary. It is in the power of those who will be benefited in the greatest degree to put an end to private control of the public roads. The farmer, the manufacturer and the laborer are those who will derive the greatest benefit from public ownership and control of the railroads, for they are the greatest sufferers under corporation control of the roads. Special rates to the owners of large consolidations of capital in the manufacturing

industries, which are denied to small manufacturers, will inevitably drive out of business and bankrupt the latter. High freight rates absorb what would otherwise be the farmer's profit on the cultivation of his land. Little or no profit to the small manufacturer and farmer results in keeping down the wages of their employees and the value of factories and farms. All who labor for a living or live upon the results of their past labors are interested in having low and equal fares and freights for all and unrestricted communication between all parts of the Union. If the trusts and combines did not get special rates on the railroads, they could not lay down at the doors of the small manufacturers, thousands of miles from the trust's plant, the manufactured articles cheaper than the small factories can produce them. Low prices offered by the trusts are only given for the purpose of crushing the small producer; when the trusts have killed competition, prices will go higher than ever before.

If the farmers had not been forced to give up in the payment of freight charges what would otherwise have been net profits on the cultivation of their lands, mortgages on Western farms would be almost unheard of, and farming and grazing lands in the West would be worth double the price they are now selling at.

What the farmers and other producers want and have just cause for demanding is a radical reform in the laws applying to corporations, and especially to the railroads. Proper ownership and control of railroads can only be had through State and Federal legislation. It can only be had through one or other of the two great national parties, or the formation of a new party; but it is probable that by far *the greatest* present benefit could be had through the

Republican or Democratic party, for the reason that it is almost certain that one or the other of these parties will control the government of the country for years to come; and what the producers want and must have is speedy relief in the matter of fares and freights. To get this, they must drop for the present time differences of opinion on all minor political questions, and make proper railroad legislation a National as well as a State issue in the next general election. This they can do, by organizing and pledging their support to whichever of the two great parties shall adopt a platform best calculated to afford the legislation and relief demanded by the producers.

The organization should be for the sole purpose of procuring State and National legislation for the ownership and control of the public highways by the States in which they are situated. In this fight no other issue should be taken up, nor any other question considered, which will in any way tend to create dissension in the ranks of the producers. There is ample time in which to prepare and present a single plain issue at the general election in 1900. All questions as to tariff (except on the products of the trusts), money and all other similar issues should be continued for future action, for they are all of secondary importance to the railroad question. Before resorting to the formation of a new party, the two great leading parties should be plainly informed of what is demanded of them in the way of railroad legislation. Should both parties fail to respond to the demands of the producers, there would in that case arise the necessity for the formation of a new party; but it is almost certain that both the Democratic and Republican parties can be forced to make the proper control of inland

transportation one of the principal planks in their platforms for 1900.

When the two great parties understand that they must do the producer justice or lose his vote, no doubt they will try to outdo each other in *promising* him the desired relief; but this condition of affairs can only be brought about by organization. The corporations are thoroughly organized in every part of the country, and will make a bitter fight against any just legislation for the relief of the overtaxed producers. They will spend millions of dollars in the attempt to carry the elections, and defeat any and all measures that tend to give railroads their true status in the State, and the money so spent will be charged up to "operating expenses."

Producers and their employees, like all other classes of citizens, are connected with and owe allegiance to the different political parties of the country. At each presidential election, for many years past, there have been from three to six candidates in the field; but since the organization of the Republican party, the real contest has at each election been between the Democratic and the Republican candidates. In many of the elections the combined vote of the third, fourth, fifth and sixth parties in the field could have caused a different result in the election had it been cast in support of the candidate having the second largest number of votes. It has many times been in the power of the minor parties in the field to elect either a Democrat or Republican for governor of a State, and also a majority in both branches of a legislature, while they had no chance whatever of electing any one of their own candidates. Many farmers are neither Republicans nor Democrats, but affiliate with one of the minor political parties—

which is all right as a matter of principle, but greatly to the neglect of their material interests.

It is the policy of professional politicians to keep as many minor political parties as possible in the field, on the principle that it would be better to have the members of the minor parties throw their votes away on their own candidates than to have them vote for the candidates of the opposing leading party, which, were it not for the votes thrown away on the candidates of the minor parties, might carry the election.

The leaders of the minor parties are sometimes said to be paid by one or both of the leading parties, to keep the minor organizations in the field. The minor parties hold conventions and assess themselves to pay the expenses of the same, and go through the mockery of voting for their candidates, not one of whom is elected, and are then forced to acquiesce in the result, and be laughed at for their foolish efforts. They have accomplished nothing, but had they refrained from putting candidates in the field and maintaining a party organization, and had remained independent voters, they might have been able to elect the best men for the different offices, from the candidates of the leading parties.

Nothing is so objectionable to a professional politician as an honest, intelligent, independent voter. The existence of a large number of independent voters forces the leading parties to nominate their best men.

In 1890 there were 5,055,130 farmers, planters and overseers, and 2,556,930 agricultural laborers, making a total of 7,612,060 persons, nearly all of whom were voters, and were directly interested in securing just rates on inland transportation. (See Census of 1890.) The total number of votes cast for all presidential candidates in the election of 1892



was 13,923,378. It will be seen from these figures what influence the agricultural vote must have had in deciding the contest. It is certain that any candidates in whose support the farmer vote is united will be elected in nearly every State in the Union. The farmer vote can elect the President of the United States and the majority in both houses of Congress; it can elect the majority in both branches of the legislature, the governor, and all other State officials in nearly all the States. The producer vote can amend the Constitution of the United States and the Constitution of every State in the Union—and it can do all this without resorting to the corrupt use of money or political influence. The producers of the country should profit by the example of the people of the United States in our recent war with Spain—drop all minor political questions, and, without regard to former or present party affiliations, unite for the one object of settling the question of who shall control our public highways and lines of inland transportation. Should they do so, they will find their victory as easy and complete as were those of Dewey and Schley.

The opinions of the producers in one section of the country differ from those of the producers of another section, as to which is best for the whole country—high tariff or low tariff; some want free trade. In some sections they want the single gold standard as the measure of value; in other sections they want the free and unlimited coinage of silver at a ratio of 16 to 1. In the same sections they are arrayed against each other on many questions of political economy; but there is one matter upon which all farmers and other producers cannot fail to agree, and that is that they pay to the railroads too large a proportion of their gross earnings in getting their products to market.

*The producers should support all such newspapers as*

advocate their interests and expose the rottenness and injustice of corporation methods. They should organize by school districts, townships, counties and States. State and United States committees should be appointed. The membership and number of voters should be ascertained to a man. No one should be allowed to use the organization for other than the interests of all concerned. No one whose interests conflict or are not connected with the interests of the producers should be permitted to join the organization. By simply meeting and organizing, at an expense of less than twenty-five cents each, the membership can be made to number millions by the time of the fall election of 1900.

It is claimed by each political party that it is based upon and is striving to work out the principle of "the greatest good to the greatest number"; but that both the Republican and Democratic parties have utterly failed and neglected to carry out that principle is proved by the fact that to-day the corporations stand between the producers and the markets of the world, and levy blackmail on their products, for the purpose of paying interest and dividends on stocks and bonds of a face value of more than \$7,000,000,000 above the real value of their roads—not one dollar of which represents honest investment. For more than forty years each of the two great political parties has had an opportunity to make just railroad legislation a principal plank in its platform; both have failed to do so. While the producers have blindly followed their party leaders and opposed each other on all political questions, to the total neglect of their personal interests, the railroad officials have acted together in the interests of the corporations. Who ever heard of

politics causing dissension in the ranks of the "general" and "other" officers? Whether from the East or West, North or South, whether Republicans or Democrats, they act in perfect accord in every instance in which the corporations' interests arise. *A few thousand of railroad and other corporation magnates have for many years ruled the people of the United States.* It has made no difference which political party was in power—the corporations, "trusts" and "combines" have ruled the country, and they will continue to do so as long as they can create dissension and division in the ranks of the producers and prevent them from organizing and acting together for their mutual interests. Worn-out and settled questions of tariff and finance are agitated and kept alive by newspapers that are subsidized by the corporations with "passes" and cash, for the sole purpose of preventing the producers of the country from uniting against corporate robbery.

Corporate power and influence with those in certain high places has for years been a scandal and a blot on the government of this country; and this can be truthfully said of both the Democratic and Republican administrations. Corrupt pretenders and ignorant political quacks have been elected and appointed to high positions, only to disappoint and betray the people. Both parties have again and again adopted platforms stuffed with ringing generalities, to be interpreted to the people by hired speakers in different parts of the country, in whatever way might seem best to catch the local votes. Both parties have been loud in their denunciations of trusts and combines, and yet corporate power was never so great as it is to-day.

If the "platform" of either of the leading parties be sat-

isfactory to the producers on the subject of transportation, the next matter to be inquired into should be the record of the candidate who receives the nomination. The producers would be wasting their time and sacrificing their interests in supporting an employee or ex-employee of the railroads. If the candidate's record is a clear one, the next requirement should be that he fully and plainly define the position he occupies, and the policy he will pursue on the railroad question if elected. Regardless of the office he seeks, the candidate should be required to make this declaration in the most public manner possible. A candidate who travels on a railroad pass does so at the expense of those who pay for their tickets, and places himself under obligation to the corporation that gives him the pass. Such a man could not be trusted to do justice between the roads and the people. No one need abandon his opinions on any of the other political questions of the day in making a fight against corporate injustice. If necessary, the candidates can be pledged to hold all other questions in abeyance until the railroad question is settled.

In addition to the railroad question, senators and congressmen would no doubt represent the views of their constituents on such questions as finance, tariff, etc.—just as they now do—and thus leave the complexion of Congress on those questions about the same as it now is. Nothing need be sacrificed in making a united effort for the attainment of just laws on one subject. All newly elected senators and congressmen being pledged to work for and vote for laws that will give the producers relief, there would in a very short time be no necessity for trading votes or compromising other interests, in getting proper railroad legislation.

Great care should be taken to select candidates for Congress and the legislature who are capable of drafting laws that will stand the technical tests to which they will be subjected by the State and Federal courts; and, if necessary, special counsel should be employed for the purpose of carefully examining all bills on railroad legislation before the same are passed upon by the State legislature. Railroad attorneys and agents, not being able to defeat proper legislation concerning the roads, will attempt to get into the bills introduced such radical measures in favor of the people as will render any laws enacted on that subject unconstitutional, and therefore null and void. Much care will be required in order to prevent a defeat of the producers by such means.

The President nominates all the candidates for the position of judge of the Supreme Court and of all other Federal courts. If the corporations can secure the appointment of the kind of Federal judges they want, all legislation, State and Federal, that does full justice between the producers and the railroads, will be declared unconstitutional, and for that reason the producers should be extremely careful in selecting the candidate who is to have their support for the office of President of the United States. If he has ever been in any way connected with or under the influence of the corporations, trusts, combines or Wall Street, he is not the man that the producers want for President. After the nomination is made by the President, it must be confirmed by the Senate before the nominee takes office, and therefore great care should be exercised in selecting candidates for the United States Senate, who, besides being responsible for the *appointment* of Federal judges, railroad commissioners, etc., *are also responsible* for Federal legislation if enacted with

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their consent or by their votes. The producers do not want a man for senator who has ever had any connection with the corporations, trusts or combines, or who could be unduly influenced by them.

When the several States properly exercise the rights and powers that inalienably belong to them under a republican form of government, permanent prosperity will come and State ownership of the railroads will bring the following results: The producers will cease paying enormous salaries to railroad officials; "traffic," "passenger" and "freight" associations, "parasites on railroad management," fraudulent stocks and bonds, and government by injunction and by corporations, will become things of the past. The faithful employees of railroads, upon whose care and skill the safety and lives of the traveling public and others depend, will no longer work for starvation wages, but will receive the compensation to which they are justly entitled. The cost of transportation will be reduced more than 50 per cent, and the business of the roads increased more than 100 per cent. Interstate commerce will be vastly increased, and the cost of living greatly reduced. Products that now rot in the fields, orchards and vineyards will find a market and be food for the hungry. A just proportion of the wealth of the country will remain with those who create it. The mortgage on the farmer's land and the laborer's home will be speedily canceled. Low rates of transportation will enable American enterprise to utilize and develop the mighty water-power and the vast deposits of coal, iron and other minerals of the southern and western portions of the country. Throughout the wide West, furnaces, mills and factories will spring up as if by magic. Russia mav

compete with us in the grain and meat markets of Europe, but the products of American mills and factories will supply the markets of the world.

With proper control of the corporations, the strangling hands of Monopoly will fall from the throat of Commerce, and the thieving fingers of "Franchise" will no longer filch from the pockets of Industry.

